

NO BUSINESS IS AN ISLAND: MAKING SENSE OF THE INTERACTIVE BUSINESS WORLD

This page intentionally left blank

NO BUSINESS IS AN ISLAND: MAKING SENSE OF THE INTERACTIVE BUSINESS WORLD

EDITED BY

HÅKAN HÅKANSSON

BI Norwegian Business School, Oslo, Norway

IVAN SNEHOTA

Università della Svizzera Italiana, Lugano, Switzerland



United Kingdom – North America – Japan – India – Malaysia – China

Emerald Publishing Limited
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2017

Copyright © 2017 Emerald Publishing Limited

Reprints and permissions service

Contact: permissions@emeraldinsight.com

No part of this book may be reproduced, stored in a retrieval system, transmitted in any form or by any means electronic, mechanical, photocopying, recording or otherwise without either the prior written permission of the publisher or a licence permitting restricted copying issued in the UK by The Copyright Licensing Agency and in the USA by The Copyright Clearance Center. Any opinions expressed in the chapters are those of the authors. Whilst Emerald makes every effort to ensure the quality and accuracy of its content, Emerald makes no representation implied or otherwise, as to the chapters' suitability and application and disclaims any warranties, express or implied, to their use.

British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN: 978-1-78714-550-4 (Print)

ISBN: 978-1-78714-549-8 (Online)

ISBN: 978-1-78714-971-7 (Epub)



ISOQAR certified
Management System,
awarded to Emerald
for adherence to
Environmental
standard
ISO 14001:2004.

Certificate Number 1985
ISO 14001



INVESTOR IN PEOPLE

Contents

<i>List of Contributors</i>	<i>vii</i>
<i>Preface</i>	<i>ix</i>
The Significance of Business Relationships <i>Håkan Håkansson and Ivan Snehota</i>	<i>1</i>
Management in the Interactive Business World <i>David Ford, Lars-Gunnar Mattsson and Ivan Snehota</i>	<i>27</i>
Value Measuring and Value Appropriation in Business Networks <i>Enrico Baraldi and Johnny Lind</i>	<i>47</i>
Purchasing and Supply Management: On Strategic Roles and Supplier Interfaces <i>Lars-Erik Gadde and Finn Wynstra</i>	<i>67</i>
New Business Development in Business Networks <i>Malena I. Havenvid and Antonella La Rocca</i>	<i>87</i>
Innovation Policy in an Interacted World – The Critical Role of the Context <i>Thomas Hoholm and Luis Araujo</i>	<i>105</i>
The Geographical Dimension in the Interactive World – The Importance of Place <i>Jens Eklinder-Frick and Åse Linné</i>	<i>123</i>
Regional Development Policies <i>Simone Guercini and Annalisa Tunisini</i>	<i>141</i>
Owner Relationships – A Parallel Network Force <i>Alexandra Waluszewski and Tibor Mandjak</i>	<i>157</i>

Public Purchasing in an Interactive World

Björn Axelsson and Tim Torvatn 173

Researching the Interactive Business World; Interplay of Research Object, Methodology and Theory

Alexandra Waluszewski, Håkan Håkansson and Ivan Snehota 195

Boundaries of Business Actors and Networks – Theoretical and Methodological Reflections

Kristin B. Munksgaard, Per Ingvar Olsen and Frans Prenekert 213

Interdependencies – Blessings and Curses

Per Vagn Freytag, Lars-Erik Gadde and Debbie Harrison 235

Researching the Interactive Business Landscape

Morten H. Abrahamsen, Malena I. Havenvid and Antonella La Rocca 253

Interactivity in Business Networks

Håkan Håkansson and Ivan Snehota 275

Appendix A 289

Appendix B: Published Articles Based on the Workshops and Symposium 295

References 299

About the Authors 321

Index 327

List of Contributors

<i>Morten H. Abrahamsen</i>	Department of Marketing, BI Norwegian Business School, Oslo, Norway
<i>Luis Araujo</i>	Manchester Business School
<i>Björn Axelsson</i>	Stockholm School of Economics
<i>Enrico Baraldi</i>	Uppsala University
<i>Jens Eklinder-Frick</i>	Gävle University
<i>David Ford</i>	Kedge Business School, France
<i>Per Vagn Freytag</i>	Department of Entrepreneurship and Relationship Management, University of Southern Denmark, Kolding Denmark
<i>Lars-Erik Gadde</i>	Department of Technology Management and Economics, Chalmers University of Technology, Gothenburg, Sweden
<i>Simone Guercini</i>	Department of Economics and Management, University of Florence, Florence, Italy
<i>Håkan Håkansson</i>	BI Norwegian Business School
<i>Debbie Harrison</i>	Department of Strategy and Entrepreneurship, BI Norwegian Business School, Oslo Norway
<i>Malena Ingemansson Havenvid</i>	Department of Industrial Economics and Technology Management, Norwegian University of Science and Technology — NTNU, Trondheim, Norway
<i>Thomas Hoholm</i>	BI Norwegian Business School
<i>Antonella La Rocca</i>	Department of Strategy, BI Norwegian Business School, Oslo, Norway
<i>Åse Linné</i>	Uppsala University
<i>Johnny Lind</i>	Stockholm School of Economics
<i>Tibor Mandjak</i>	EM-Normandie, Métis Lab, Le Havre

viii *List of Contributors*

<i>Lars-Gunnar Mattsson</i>	Stockholm School of Economics
<i>Kristin B. Munksgaard</i>	Department of Entrepreneurship & Relationship Management, University of Southern Denmark
<i>Per Ingvar Olsen</i>	Department of Strategy, BI Norwegian Business School, Oslo, Norway
<i>Frans Prenkert</i>	Örebro University School of Business, Örebro, Sweden
<i>Ivan Snehota</i>	Università della Svizzera Italiana, Lugano
<i>Tim Torvatn</i>	Norwegian University of Science and Technology
<i>Annalisa Tunisini</i>	Department of Economics and Business Management Sciences, Catholic University of the Sacred Heart – Milan, Italy
<i>Alexandra Waluszewski</i>	Uppsala University
<i>Finn Wynstra</i>	Rotterdam School of Management, Erasmus University, Rotterdam, Netherlands

Preface

Half a dozen junior researchers from different countries, with an interest in business-to-business markets, met in Uppsala in 1976 to discuss an international research project on International Marketing and Purchasing (IMP) of industrial goods. The meeting and the project that followed became the starting point and first phase in the development of a research tradition that has now gone on for some 40 years. This development has seen the involvement of more than 1,000 researchers from all continents, resulted in more than 200 PhD dissertations, dozens of books, hundreds of academic articles and 3,000 papers, presented at more than 30 annual international conferences (the last of which took place in Poznan in 2016 when this was written).

The IMP research tradition generally became credited for pioneering the concepts of business relationships, business networks and interaction, and was recognised as highly influential, not only in the field of research on marketing and purchasing in business markets (e.g. Vargo & Lusch, 2008), but also in research on innovation and economic policy. Over the past two decades, several attempts have been made to summarise and relate different research fields in the IMP research tradition to each other and to position the IMP tradition in the broader field of management research (Ford & Håkansson, 2006a, 2006b; Håkansson, Ford, Gadde, Snehota, & Waluszewski, 2009; Håkansson, Harrison, & Waluszewski, 2004; Håkansson & Snehota, 2000; Wilkinson, 2008). A weakness of these attempts to sum up the development of the IMP research is that they have been based on the initiatives of a few researchers and consequently have fallen short of providing a more comprehensive and collective overview of the various achievements in the field and the implications for management research and practice.

Given the past record, richness and variety of the IMP research, we felt it was now time to bring together and systematically relate various development paths in the IMP research and to integrate the different research fields into more solid blocks. The aim of this endeavour is to advance the conceptual development of the findings for further research and practice and, in particular, to articulate its implications. This task involved mobilising a broader group of researchers that are, or have been, related in different ways to the IMP research and have influenced the directions in which the IMP research has developed and who are also likely to affect its future development. Summarising and elaborating on 40 years of IMP research,

discussing its achievements and outlining the implications required an organising process. The aim has been to create a collective output from a large number of influential researchers in the IMP community who are jointly producing some significant publications.

The overall ambition, shared with all authors, has been to:

- summarise important empirical findings and conceptual developments within the IMP research tradition;
- integrate the different streams of research in the IMP into more solid blocks;
- articulate the implications of the IMP research for other research fields and the practice of management and economic policy; and
- elaborate a base for the future development of the IMP research tradition.

The process that has led to producing this volume started in 2013, and the organisation was accomplished in four steps:

The first step was the constitution of an ‘advisory board’ that would be involved in developing the basic structure of the process, which came to consist of three thematic workshops and one conclusive symposium.

The second step was organising three workshops in 2015 at which researchers presented original research papers on three topics, namely (a) managerial, (b) policy and (c) research implications of the IMP research findings.

The third was arranging a symposium in May 2016 in Uppsala, where the three themes were integrated, and the first outline of the different chapters in the present volume was discussed.

The fourth step was publishing articles in academic outlets and then publishing the present volume.

Step 1: Constituting the Advisory Board – Defining the themes

In the first step a set of researchers, with diverse backgrounds in experience, country origin and gender, was enlisted to act as an ‘advisory board’ for the project. This board was engaged in formulating the three themes indicated in the title of the Symposium – IMP research and its implications in three different areas – research development, management and policy. The advisory board was constituted in the fall of 2013 and consisted of 13 researchers, including two project leaders:

Six of the researchers on the advisory board are senior members with solid experience of past IMP research, while the other five represent more

junior members of the IMP community committed to, and involved in, contemporary development and future expectations. All board members have been involved in organising IMP conferences or IMP journal seminars.

Step 2: Organising and carrying out three workshops

Research in the IMP tradition has produced a ‘network perspective’ that has turned out to be fruitful, not only for developing effective conceptual frameworks for analysis of industrial marketing and purchasing issues but also for advancing the development of conceptual frameworks in other fields such as innovation and economic policy. At the same time, the empirical research carried out in the IMP research tradition and the main findings have some significant methodological implications. On various occasions, it has been pointed out (e.g. Håkansson et al. 2009) that IMP research has implications beyond the original field of marketing and purchasing.

The findings and conceptual development resulting from the IMP research appears to have had implications in three particular areas: management practice, economic policy and research and theory development. Therefore, in the second step, three workshops were developed on the topic of implications of the IMP research in three areas: management practice, economic policy and further theory development and research. These became the themes of the three workshops.

Researchers belonging to the broad IMP community were invited to submit papers on each of the three topics. Every workshop consisted of about 20–25 papers the advisory board selected and reviewed. Each paper was assigned two discussants. The titles of the relevant papers discussed during the workshops are listed below, together with the dates and venues for each workshop.

- (a) Workshop 1 held at Manchester, April 21–23, 2015:
IMP research – Managing in an interactive business world
- (b) Workshop 2 held at Uppsala, May 26–28, 2015:
IMP research – Policy making in an interactive business world
- (c) Workshop 3 held at Lugano, October 6–8, 2015:
IMP research – Theories and research methods in an interactive business world

Step 3: 2016 Symposium: ‘IMP – Making sense of the interactive business world’

The final event took place as a symposium held between 31 May and 2 June 2016, in Uppsala. The symposium was organised at Uppsala

University (in collaboration with the Centre for Science, Technology and Society) and brought together 60 researchers, all of whom have been involved in the development of IMP research in different ways, including the three workshops. Two types of papers were submitted and discussed. First under discussion at the workshops were previously presented revised papers, written as articles for publication; second were outlines of papers that would be successively developed into chapters in the planned book based on the symposium. (The full programme for the symposium can be found in Appendix A.)

Step 4: Publications

The workshops and the symposium resulted in two different types of publications. Most of the papers presented in the three workshops have been developed into published articles. Up to the present, some 47 articles have been accepted for publication. A list of the published papers is provided in Appendix B. Based on these articles and the discussions in the workshops and at the symposium, 13 themes were identified, developed and discussed with potential authors. This process resulted in the mobilisation of 25 authors who, in different constellations, have authored chapters on the 13 themes. Each chapter went through at least two review rounds after being discussed with the editors. We hope that the resulting book will be as interesting to read as it has been for us to produce. Thank you all for making this special journey so fruitful for us.

We also would like to take this opportunity to thank all the IMP researchers with whom we have been interacting for over 40 years. It has been a lifetime experience of intensive interaction that has involved tough disputes, creative exchanges and thought-provoking seminars. It has been a very rich life that has included a lot of blood, sweat and tears. We hope this volume will show some results of all these hours of hard work.

Finally, we gratefully acknowledge the financial support of The Jan Wallander and Tom Hedelius Foundation, The Tore Browaldh Foundation, the BI Norwegian Business School, Chalmers University of Technology, the Norwegian University of Science and Technology and Uppsala University.

Håkan Håkansson
Ivan Snehota
Lugano and Sunne, Spring 2017
Editors

The Significance of Business Relationships

Håkan Håkansson and Ivan Snehota

The World of Business as a Rain Forest

We live in a truly amazing economic world, in which millions of products and services are developed, produced and used by a variety of different economic subjects. Take, for example, the food we consume. Behind the food we buy in our local stores is a global pattern of specialised farmers, producers, distributors, wholesalers and retailers whose deliveries, if they were fairly distributed over the world, would amount to about two kilos per person per day. Behind our houses and flats and our everyday transport by cars, buses, trains and aeroplanes, our phone calls and social media updates are similar global patterns. Behind almost any product and service or company are hundreds of highly specialised suppliers, sub-suppliers and sub-sub-suppliers spread all over the world.

The world of economy is the world of business. The core of ‘the economy’ is a world of companies that are related and relentlessly evolving. The variety and complexity of this world of business can be likened to a rain forest; it is a habitat and ecosystem consisting of a large variety of related species in multiple dimensions that evolve continuously. Companies dominate the economy and come in numerous and evolving forms and ‘species’.

One cannot help wonder how this rain forest of business activities – the economic system or business landscape – became the way it is. How was it created? How is it maintained and how does it keep evolving? What and who are behind all those products and services we consumers use? What resources, activities and actors are involved in creating a new car, developing a new drug, providing fresh salmon or quick transport? Upon closer examination, it is striking that myriads of companies have to work together in intricate and highly complex ways to provide all these products and

No Business is an Island: Making Sense of the Interactive Business World

Copyright © 2017 by Emerald Publishing Limited

All rights of reproduction in any form reserved

ISBN: 978-1-78714-550-4

services. Specialised activities are carried out and combinations of particular resources are used to produce and provide products and services that other companies or the public use. Providing the various products and services requires extracting raw materials, processing these materials in different ways and producing the components and equipment needed to produce and distribute all these products and services. The marvel of the business landscape is that these activities are carried out and organized with considerable efficiency to keep down the costs of the resources used. At the same time, new resources and activities are continuously tried out and developed. This wide world of companies – the business landscape – which might be compared to a rain forest – is crucial for our societies from an economic point of view for providing the goods we use. This world of business is creating immense economic value. The volume and value of transactions among companies and other organizations is a multiple of the transactions that take place between businesses and consumers. These transactions and the relationships among companies are driving innovation and the efficient utilization of resources. Finally, the economies of all nations are highly dependent on which companies are located where and how their location is connected to other places. Our welfare depends on the working of this world of business.

While we experience this world as customers or producers every day, we actually have a limited knowledge and understanding of how this business world works and what keeps it going. It was precisely the quest to understand how this amazing business landscape creates efficiency and development that led to the establishment of the IMP group, and pioneered the way for a dedicated stream of research by this group that has lasted four decades. We will briefly present this research community that has been researching and attempting to capture the peculiarities of how this world of businesses works before we take a closer look at the findings.

The Development of the IMP Research Stream

The IMP research stream and community originated with a research project that started in 1976 with the aim of investigating how business was conducted between companies as suppliers (producers) and customers (users) in different industries in five European countries. The project, which lasted several years, resulted in detailed descriptions of about 800 inter-organizational customer–supplier relationships based on more than 1,000 extensive, standardised face-to-face interviews, carried out by teams of researchers in Sweden, the UK, France, West Germany and Italy. The main report on the project was published as a book in 1982 (Håkansson ed., 1982), and in

1984 the researchers involved held the first international IMP conference. In the years that followed, the research continued with further projects and with the involvement of researchers from several other countries in Europe, Australia, Asia and the United States. In September 2016, 220 researchers from 25 countries participated in the 32nd International IMP Conference in Poznan. Besides the annual IMP Conference that has been held in Europe, the IMP is also organizing a biennial conference in Asia. Hence, the IMP group, comprising more than 1,000 researchers involved in numerous research projects over the years, has been held together by a common research interest in the working of the business landscape. Besides organizing annual conferences, the IMP community has its own website (www.impgroup.org) and its own journal, *The IMP Journal*, published by Emerald.

The IMP group's research endeavour was clearly phenomenon driven. The group has been striving to answer basic questions regarding the features and working of the world of business for which the existing research in economics and management offered only a limited explanation. The IMP research has been characterized by empirical work and studies investigating issues related to various facets of the business landscape 'behind the products and services' we use and consume. The empirical findings and conceptual development of this research stream have been reported in more than 3,000 papers, more than 200 PhD dissertations and many books and articles published over the past 40 years.

What Is behind the Products and Services We Use?

Our enquiry into how the world of business works can start by reflecting on what is behind the products and services we commonly use, and the availability of which we take for granted – a car, a table, a medical treatment, a transportation service or a generic product such as a fish. These are some of the goods – the products or services – that have been the subject of IMP research studies. Any of these products and services requires that operations of numerous highly specialised, often unique, companies are related and coordinated to create these 'goods' (products and services). Let us contemplate the set of companies or business networks that are related to these products and services. Below we will take a brief look at the business networks behind them.

A Car

The most evident problem in designing, producing and selling a car is fitting together all the different parts/components of the 'car in use'. The

main issue is not to produce one car but organizing the work required to design a car, making use of the available components, materials and knowledge required to produce and sell at least 100,000 cars, for example, at a reasonable cost. The manufacturer may ensure cost-efficiency by relating the car model to some other models in a bid to reduce the cost of single components and to work with suppliers to develop materials and more cost-efficient production processes as well as transportation and storing routines. To keep the car going, a manufacturer will require an array of other products and services made by other companies. The manufacturer is also reliant on the proper delivery and servicing of the cars as well as developed infrastructures of roads, parking spaces, IT etc. The value of a car for a user depends on how well it fits with this broader context of use. Combining the elements of a particular product with other existing products and service structures for use is never fully accomplished. New solutions and combinations in producing, delivering and using the car are put in place not only to develop the car but also just to keep up with all the developments taking place in these other items. Several aspects of this intricate combining process within companies and across companies in car-related business networks have been the object of IMP research (e.g. Bocconcelli & Håkansson, 2008; Von Corswant, Dubois, & Fredriksson, 2003).

A Table

A household table is a much simpler item than a car. Unlike a car, it can be produced in a rather simple way by a single craftsman if he/she has access to suitable materials and tools. However, if a company wants to produce a table at a very low cost, such as IKEA's Lack Table, which can be bought around the world for less than €10, the company needs to initiate an intensive and complicated chain of events in which production processes and production lines, as well as distribution arrangements, are developed step by step, year by year. No single company (let alone a single craftsman) can master all the competences involved in such a task of delivering (at a profit) a table for less than €10. Such an endeavour requires the involvement of a number of different businesses. Some of these will develop and sell the needed equipment; others will provide chemicals for surface treatment and painting as well as other production materials and logistics services. When some of the companies involved want to increase efficiency through new resources used in the production process or in the development of new functional designs, the complex system in place – actors, activities and resources – must manage, adapt and innovate. Such adaptations across boundaries of different companies are very demanding and often require considerable effort and huge investments (Baraldi, 2003).

A Medical Treatment

Medical treatment in a hospital requires the involvement not only of the relevant hospital but also the laboratories and different producers as well as a number of other institutions. Introducing a new medical treatment depends on the cooperation of specialised personnel within the hospital and several other organizations. The development of the Trans Aortic Valve Implant (TAVI) – a new, non-invasive type of heart treatment involving the implantation of heart valves through our veins – is a good example. TAVI has been the object of lengthy and uncertain development. The key element is a new ‘product solution’ – a valve that can be transported through a vein and thus implanted in a patient’s heart without open-heart surgery. This must be done in hospitals where heart surgery occupies a prominent and powerful position. In order to use this new solution on a patient, a team of qualified and trained professionals (surgeons, doctors, nurses and others) is needed. Furthermore, special procedures, specialised instruments and suitable operating theatres need to be developed. Such innovative medical procedures also usually require a series of tests and hospital trials as well as the development of a set of hospital routines that must be in place to conduct the operation. Innovative procedures also require training of doctors and other personnel involved in the operations, which may involve flying the Danish, US or German specialists involved in the early operations for training sessions with new teams in Toronto or Shanghai. Because of the need to carry out all of these activities, introducing the new solution takes time and requires coordinating various activities (not only the production of valves) and the input of considerable resources and investments, which are often contingent on the development of a new network of companies and hospitals (Olsen & Håkansson, 2017).

Transportation Service

An intricate web of different business actors and facilities is required to develop and operate a transportation service. This includes producers of equipment such as trains, trucks, aeroplanes as well as service and infrastructure providers such as ports, airports, transportation companies and other logistical operators. The whole process also requires communication providers, companies that offer maintenance and specialists that can put in place the right combination of operations related to transport, stocking and other logistical services (Jahre, Gadde, Håkansson, Harrison & Persson, 2006). A simple roll-rack load carrier for milk has a number of important interfaces with other facilities, products, organizational units and business relationships (Hatteland, 2006). Any change in any part of the

system's design will have effects on all these interfaces. Thus, coordinating the activities that result in logistical services is costly. The infrastructure and various components on which the services rest require huge investments in both the physical and organizational dimensions that represent the 'sunk cost' of the system, which are fundamental for its successful operation.

Fish

About half of the fish produced in Norway is farmed. Such fish farming requires specialists in the production of feed, equipment such as special boats to transport the feed and the fish, producers of vaccines as well as transportation and chilled warehousing for processing the fish and for shipping it to different places across the globe. Boats equipped with special catching equipment, advanced electronic tools (such as GPS and radar systems) and the means to process and handle the fish are all necessary (Cantillon & Håkansson, 2009). The production in Norway of baccalao, which is subsequently delivered to Portugal and Santo Domingo, is very different. One Norwegian producer and one major distributor in Portugal have developed a business relationship through which 10,000 tons of baccalao, caught and cured in Norway, are shipped to Portugal and distributed through retail shops where the quality is the main feature. Another Norwegian producer supplies baccalao – produced in the high labour cost country of Norway – to Santo Domingo, one of the poorest countries in the world.

What do these pictures of what is behind common products and services have in common? The first striking aspect is that each of these situations involves a specific set of organizations with specialised actors, activities and resources that work together to develop, produce, deliver and use the product service solution. The activities behind these products are organized by companies that together continuously strive to use resources efficiently while simultaneously developing features of these goods and the production processes through scores of adaptations and developments.

The companies behind each of the required products or services need to be mobilized to act jointly and to develop in a certain direction. The set of specialised companies on which the provision of products or services to end users depends has an impressive width and depth. Specialised resources, activities and individuals of the various companies have to be connected and embedded into each other. Behind each of the above products is a set of companies that works together in efficient, well-functioning relationships. Products are developed and made available and usable in and through these relationships. The efficient combination of various resources

requires synchronization and the seamless collaboration of actors and people who are connected to one another to produce a certain product/service. The diverse situations involving the production process, ranging from the manufacture of cars and tables to catching fish or performing TAVI, always involve drawing on and making use of a complex set of specialised resources, activities and actors that are assembled and organized in companies – all entities that draw on one another.

The sets of specialised companies behind each of the above goods have a history, and every situation is a product of past developments. These sets of companies always tend to be uniquely connected; they are always complex and the complexities are of different types. Furthermore, the sets of companies involved in producing cars, fish or a medical treatment are in continuous motion, and, as all of the situations described above show, they are always changing at a rapid pace. The actual structuring of companies and their specialization is increasing, and new solutions emerge representing resources that make certain achievements possible. As new companies emerge and new resources become available, different activities may need to be developed requiring other resources to be produced and put to use. The type of resources that are to be used at different places, the manner in which activities are carried out to produce these resources and how these are combined, organized and allocated across different companies are continuously changing.

All this takes place in ‘real life’ and, in portions, can be seen and experienced by those who are active in the business landscape. However, the complexity and motion in the various companies related to the above products make it difficult to map and trace the patterns of the business world. The various actors involved know directly, often intimately, portions of the interdependent company sets in which they operate, but ‘getting the whole picture’ is beyond the horizon of any of the actors involved.

How is it for us as researchers, who are detached from this ‘real life’, and observe it from a certain distance? As researchers, we have only a few blunt tools to describe and analyse the existing structures and how these work and affect companies. Most of the contemporary conceptual frameworks and models of economic organizing continue to look at the business world, assuming that it consists of independent, free and autonomous companies working in homogeneous product markets cleared by price signals. Taking such a lens does not properly capture how the world of business works, what it achieves and what it has to deal with and find solutions for. Such a lens does not permit us to focus on and explain why we can see the continuity in doing business among companies, the importance of such relationships or the peculiar dynamics of the business world.

The ambition of the IMP research has been to describe and report the distinctive features of the business landscape (readily observable phenomena)

as a starting point for investigating and explaining how that landscape works and how it affects the companies that constitute it. Such phenomenon-driven research also involves the need to develop the research tools to be used to describe and explain the phenomena that characterise it. Researching the business world through numerous empirical studies has revealed several features that characterise the business world, how it works, is coordinated and develops. We will focus on three features characterising the business world that have emerged in prior IMP studies: continuity of inter-organizational business relationships, diffused interdependences that confer the business world characteristic of a network structure and the ubiquity of interaction processes within and across companies.

Distinctive Features of the Business World

Observing the business world with some attention shows that it is an elaborate structure comprising companies and other organizations with highly advanced resources, performing highly specialised activities and involving competent individuals. This structure efficiently provides the array of products and services our societies use and continue to develop. The variety of business organizations that collaborate in the production of goods is fascinating; each company is unique in terms of the resources it uses, the activities it performs and the relationships it develops with other companies as customers and suppliers. Yet, these business organizations and their conditions have many features in common. The products and services provided are highly related and sometimes extremely integrated in how they function together, but, at the same time, an intensive development is taking place, and both the single products from single companies and the total structure are changing continuously. The cost-efficiency and rate of innovation in the business world are remarkable and seem only to increase over time. As end users, we only become aware of the process working when it fails; we mostly take the working process for granted.

This picture of the business world that emerges from empirical studies in the IMP research tradition is quite different from the picture of ‘an economy’ proposed in textbooks on economics or in management literature. The latter tend to assume explicitly or imply that the business world consists of companies that are independent and buy and sell in markets defined by a product category. However, our studies reveal that the business world is characterized by relatedness and limited autonomy among single individual companies, and that products are a variable defined by the parties. However, it remains clear that ‘the economies’ of contemporary societies are characterized, above any other feature, by the centrality of business

organizations as well as their variety, uniqueness and interrelatedness. Numerous empirical studies over the 40 years of IMP field research put in relief three salient features of the business world that we discuss briefly below.

Continuity of Inter-Organizational Business Relationships

Companies do business with each other on a continuous basis in series of transactions, and develop business relationships that connect their operations. Business relationships are not an abstraction — rather they have substance; we use the notion of business relationships to refer to what is actually going on between business organizations as providers and sellers, and users and buyers. The existence of continuative and substantive *business relationships* between businesses is one of the basic observations made in prior IMP research. These continuative business relationships connect supplier and user companies and their respective resources, activities and individuals and are of a critical importance for single companies as well as the total structure of the economy. Companies seldom do short term shopping; continuity is important as it is related to the continuous operations and possibilities for planning.

The main customer–supplier relationships of companies, both on the input and output side, tend to be singularly important for the economic efficiency and development of companies. A few customers and a few suppliers often account for a major part of the total volume sold and bought. These continuative close relationships develop as companies strive to achieve efficiency and unremitting development. Continuative relationships are important for handling the mutual dependence of companies on each other's resources, activities and actors. However, developing close continuous business relationships leads to creating very specific type of economic interdependencies that can be technical, legal, logistical or administrative. The formation of such relationships requires considerable tangible and intangible investments — relationships have history and imply different lock-ins that confine future possibilities; being products of history, they matter for the future.

Numerous empirical IMP studies have evidenced some distinctive features of these continuous inter-organizational relationships. The key relationships of companies tend to be complex and have considerable heaviness in terms of economic consequences and impacts on the businesses involved. They are rarely about one product; most often they involve multiple products and services, implying activities that go from R&D and production to various forms of service support, transportation and administration. They also involve numerous individuals in two or more organizations. Every such

relationship encompasses a variety of resources and activities as well as important bonds that form between individual actors. Given their complexity, developing these 'key' inter-organizational business relationships entails creating complex interfaces among two companies to link, combine and connect activities, resources and actors of the two. Relating the two companies in the various dimensions requires solutions that are bound to result in mutual commitments and considerable investments for the two companies, which in turn are conducive to the continuity of such relationships. These continuous inter-organizational business relationships entail the substantive interlocking of operations of the two business entities in various dimensions.

Three different layers of substance can be identified in inter-organizational business relationships. In the first layer, *activities* on the two sides are linked to each other and coordinated. A relationship between two businesses can link activities such as production, R&D, handling and transporting and storing, not just within the two firms but also across the boundaries of several organizations. A second layer of the relationship between two businesses is tying together and combining their *resources*. The features of many resources can be, and often are, adapted and developed so as to be combined and integrated with other resources of either of the two businesses or resources that can be accessed through the two businesses. The resources are assembled and tied together in different ways and the value of the resource in specific use contexts depends on such ties. Connections between various individuals, mutual commitments and bonds between the *actors*, represent the third layer of a relationship between two businesses. As the various individuals involved in the relationship interact, they learn about each other's resources and activities as well as their mutual goals, ambitions and agendas. As the actors interact, their individual capabilities (competences and skills) can develop and their goals and agendas are bound to evolve. Consequently, the two companies involved are likely to change and co-evolve. For most companies, the main business relationships are the most important resource and have an economic substance that is an important part of the total economic substance of any company.

Network Structures

Managerial action is always an important driving force for development as it gives shape and form to inter-organizational business relationships. However, if a company succeeded in gaining full control of a relationship (or network), it would forego the most positive effects of interactions. The company would miss the opportunity to benefit from the initiatives of the other company. The network, as a flexibly coupled dynamic structure driven by multiple different ambitions will, in a strict sense, die if it

becomes a hierarchy, with one centre bearing all accountability and not in a position to exploit the multitude of resources, specialised activities and varied skills and competences of network members.

Highlighting the important interdependences that arise between companies in such relationships is one of the main results of the IMP research. Such interdependences can be found both within and across the 'key' business relationships of a company. What happens to activities, resources and actors in one of the relationships of a company, tends to affect what happens and what can be done in other relationships of the own or other's company relationships. For instance, the content of a customer relationship depends on a certain supplier relationship or perhaps on another customer relationship. Every company acts in a context that includes multiple interdependencies between companies as well as between their resources and activities across relationships.

Numerous IMP studies have shown that no company is self-sufficient and that in order to understand how it might develop we need to understand how the single specific company builds on the specific activities, resources and actors of other companies. Adapting to each other, finding joint solutions that appear to work better, companies tend to become mutually dependent. As dyads of companies become mutually oriented and dependent, such interdependences become generalized in the business world. In such a context of interdependent relationships, every single company appears as a node in a *network* of such relationships — a business network. As a node in a network of business relationships, each company tends to be unique. In such a network structure, every company has to be seen as a node in a network connecting a variety of business 'entities' (units of business that may or may not correspond to formal business organizations as legal entities). Business networks as networks of business relationships have no clear boundaries and the single actor can have a more or less complete picture of how the relevant network looks like and how it works. In a general sense, the network of business relationships is boundless and changing; therefore, it is unknowable to any of the participants. The single companies and actors have but a picture of a 'portion' of the wider business network that is currently or potentially relevant for the companies.

This network includes technologies, logistical and administrative systems as well as legal structures. It is a mirror and source of the multiple interdependencies arising between companies with permeable and fuzzy boundaries. The actual interdependencies are produced as companies become related, and range from very general to very specific. There are obvious advantages to companies in which such interdependencies are taken care of, but also evident disadvantages when they are not. Most companies are trying to achieve seamless solutions, at least in the most important dimensions.

Three properties of business networks are particularly relevant from a managerial point of view. Firstly, in a business landscape where continuous relationships and the need for interaction produce interdependent network-like structures, every company stands out as a *unique* node at the intersection of a specific set of business relationships. Despite apparent similarities, every company is unique in at least some dimensions, and this uniqueness marks the problems the company has to cope with. The particular unique position of a company in the business network impacts the outcomes of the company's operations. Secondly, for a single specific company, the unique embedding in the business world through existing relationships represents an *asset* on which the company builds, but at the same time it constitutes a *liability* that limits what a single company can do and achieve. The embeddedness of single companies can be used in both a positive and negative way by counterparts. Finally, an important consequence of the embeddedness is that a single individual company depends on how others in its context act and react. Consequently, a single company has only *limited control* of the outcomes of its own operations and is never fully autonomous.

A single company and its management clearly have some ambitions and opportunities to choose and direct the development of its relationships. Management can always say 'yes' or 'no' to opportunities and suggestions from its counterparts. A single company and its management can have a strategy that is largely clear in what it wants to achieve in the network. However, every company is also the outcome of the developments of its relationships in a network. Any node is a result of the developments in the threads that form the node.

Interaction

The third main research finding made in the IMP setting concerns the continuous and often intense *interactions in the business world*. Interaction in and across business relationships implies adapting to each other and making mutual commitments, which affects how the business relationships will develop and thus also the outcomes of the relationships for the businesses involved. The ubiquity of interactions between companies is a distinctive characteristic of the business world. Interaction is a means of handling the interdependences and a means of creating and changing interdependencies. Finding effective solutions and suitable arrangements in business relationships between suppliers and customers involves chains of actions and reactions through which new solutions are developed and implemented. These chains of actions and reactions – interactions in and across business relationships – stand out as a major driving force of the business world.

Interaction takes place between active and incomplete/unsatisfied actors, all with their limitations in terms of resources and capabilities.

Interactions in business relationships are driven by individuals, mostly managers at various levels, and serve as problem-solving processes in relating resources, activities and actors of two companies to each other. Interactions as chains of actions and reactions in business relationships are central processes for companies in handling the relatedness, variety and motion that characterise the business landscape, but they also shape the broad business world and affect its dynamics.

Through interaction, relatedness, variety and motion in the economic landscape can be used to exploit the economic potential of efficiency and development. Creating efficient economic structures requires the systematic utilization of potential solutions that exist today, and the exploitation of trends in the use of resources and activities existing or anticipated. That applies not only at the 'systemic' level of the business landscape but also at the single company level. Single companies benefit from engaging in development processes where knowledge and technological solutions are experimented and developed to make use of available alternatives and possible trends.

Interaction in business relationships is a central business process because of the broad, tangible consequences it has for economic outcomes for the businesses involved. The substance of interaction in business relationships is created through continuous mutual adjustments in how resources are tied and activities linked, and how individual actors act and react. Relationships and network structures are formed through interaction processes. Interaction underlies the relating through which companies become embedded in the relational context and it is the bedrock of company performance and outcomes. A consequence is that resources and activities and the individual actors are never neutral or independent; they are always oriented and adapted to specific benefits or disadvantage some specific parties. The interaction taking place between the companies has tangible consequences and thus a substance as it determines the activity links, resource ties and actor bonds across boundaries of business organizations. These links, ties and bonds are crucial for the economic outcomes of the companies involved. Interaction is costly, but the importance of interaction processes is linked to the consequences it has on cost-efficiency and the development potential of the interacting companies.

The features of the interactive business world as they emerge in the research describe a phenomenon that is highly challenging because it is not linear and tends to display little regularity. It appears to be the result of actions by businesses and their managers, enacted through connecting and relating that is rooted in specific time and local contexts. We observe instances of multiple outcomes from causes that appear the same; we see different causes as leading to the same economic outcomes. The working of

the interactive business world cannot then be explained by properties of business world components but only by understanding the 'interactive effects', which are always local and time specific. Forces shaping the interactive business world are those between businesses. This context is challenging for those who live with it and create it (management); those that are continuously challenged to develop and combine existing elements with new ones. This is done by capitalizing on experiences, and although such actions in the business world are never fully or mechanically complete, they always involve new challenges, producing a relentless process of creating and re-creating conditions and relationships jointly with others. The interactive business world is challenging for those who have the ambition to intervene in it because the processes that underlie it are hardly visible to outsiders. Because of the complexity and change in interaction processes, business networks are never really transparent. Furthermore, interventions in the business world require, as much as the business processes themselves, a continuity of action; the interactive business world defies spot interventions, as these become relatively quickly absorbed. The interactive business world is also challenging for those researching it because of the difficulties and costs in observing from the outside what is going on inside. Analysing and conceptualizing the interactive effects is a major challenge because it requires a focus on processes. Given the importance of 'unique' linkages and collaboration for the development and outcomes of businesses, the challenge appears to be generalizing uniqueness. The challenge for researchers is to find approaches and methods to theorize and research the interactive effects in their uniqueness.

Prior IMP research has made some progress investigating the above characteristics of the business world and has shed some light on the implications of these features, but much remains to be done. Researching the business world requires investigators to observe and describe the phenomena empirically and develop conceptual frameworks to explain them. The road is tortuous and involves the interplay of empirical research and conceptual development. The IMP tradition has produced a considerable body of research, a summary of which is beyond the scope of this volume. What prior research suggests, however, is that the above three features of the business landscape have profound consequences for how we approach the business world as managers, policy makers and researchers. We believe the present volume can make a contribution in this regard.

Consequences for Management, Policy Makers and Research

The volume comprises three main themes identified in relation to implications for the fields of management, economic policy and research. The

common thread in the following chapters, all authored by researchers who have been engaged in researching the business landscape over several years, is how the phenomena found to characterise the business world affect managers, policy makers and researchers. Each theme deals with a few selected key issues.

Early IMP research has been clearly phenomenon driven and resulted in a descriptive conceptualization of the business world and its dynamics. However, the descriptive and positive conceptualization of the business world has important normative implications. The existence of continuous business relationships, the interdependences that lead to the network form, and the ongoing interaction processes within and among companies have normative implications that have been raised in a number of IMP articles and books. We will develop some of these implications here to offer snapshots of the implications for managers, policy makers and researchers.

Implications for Management

The features of the business world revealed in prior research are consequence of managerial action in business organizations. They reflect how managers individually and business management collectively attempt to make use of and exploit the features of the business world. Companies benefit from actively adapting and utilizing properties of the business world, but a sensible action requires a good understanding of how it works. The first theme of the book explores the implications for management practice. Outlining the implications is important for directing the way management should approach the main problems in business, not least because the normative implications of business world features often contrast strongly with recommendations based on assumptions about the working of the business world derived from a 'market perspective' on business. This book explores four central issues, devoting one chapter to each issue.

The most basic issue – dealt with in Chapter 2 – is the importance of management in developing and maintaining the business relationships of companies. Managers develop business relationships among companies. Interdependent business networks are manifestations of interactions between single actors in dyads and interactions among all involved actors collectively in managed processes. However, when we refer to managers as architects and 'constructors' of business relationships, it is not top managers we have in mind. Indeed, most of the managers involved in developing the relationships between customers and suppliers are in middle-management positions. It is the purchasing managers, sales managers and technical managers who are fundamental for the development of business relationships. It is these managers who actually create or generate value in

business relationships, and this creation of value is central for all companies. Managers' ability to motivate their counterparts in business relationships is a central aspect of relationship development. Motivating and involving others is central for the development of a business as it is only through and with others that a company can create value and develop. Relationships between companies cannot be developed unilaterally; they have to be developed jointly. The effective development of business relationships of value hinges on the capability and skills of management to work with and through others, to relate to others and to cope with interdependencies that arise in relationships. However, the capability of a company to interact in business relationships is not simply a sum of individual managerial skills; it is an issue of organizing the interfaces and the relationships jointly with the other business.

A second, highly relevant issue for management is the measurement and appropriation of jointly created value. The existence of relationships is challenging for accounting and for the sharing and appropriation of values. These consequences are discussed in Chapter 3. Interdependences that characterise business relationships make value measurement and appropriation problematic. Yet, measuring value is important for orienting managers' behaviours, and affects the solutions implemented in business relationships on which value creation and appropriation depend. Business relationships have a number of soft and multiple effects that are difficult to measure and consequently difficult to divide among the involved business actors. An interesting development has been underway as companies attempt to develop special tools for handling these problems.

Value measurement is problematic as value is embedded in relationships and networks and therefore difficult to separate out. Values are created in relationships because resources are combined through relationships. Defining clear boundaries is important to produce measurements, but setting boundaries in interdependent relationships and networks is always problematic, and to some extent, arbitrary.

Value appropriation becomes problematic because the single actors' contributions to joint value creation as well as their potential gains and losses are difficult to measure. Such difficulty makes it problematic to define and decide how created value is shared or should be shared among the actors involved. Consequently, the business 'deals' governing the monetary flows between the involved actors are settled in a way that follows logics that do not necessarily reflect the actual contribution of the single actors in the joint value-creating process.

In a relationship both sides are important for development. This is one reason why purchasing has always been as central as marketing in the empirical studies in IMP. The manner in which the features of business networks affect the role of purchasing and the roles of the suppliers and

supply management is discussed in Chapter 4. The existence and importance of business relationships has normative consequences for purchasing that are very distinct and break clearly with some of the traditional normative recommendations for purchasing. The authors believe that 'buying organisations increasingly need to develop interactive interfaces with their suppliers. One reason is that collaborative innovation and therefore the development role of PSM (purchasing) is becoming more important'. The conclusion is clear: If the buying organizations want to get more out of the suppliers than the supply of a standard product at a certain price, they have to engage in a more extensive interaction and develop a broader and closer business relationship that must be properly managed. That implies giving up some autonomy and accepting dependence on suppliers as developmental partners.

Finally, Chapter 5 explores the issue of an outsider entering an existing business network. This is the situation a new business venture encounters when it attempts to enter the interactive, interdependent and interconnected business world. Developing the new venture is a challenge — 'mission impossible' — as the new venture has no relationship in the relevant network or a tenuous one at best. The critical issue, and major difficulty, for the new company is then to make the established business actors perceive that there are good reasons to admit the new venture into an established business network structure. The fate of the new venture, its acceptance by at least some other business actors, will largely depend on how the incumbents perceive the new company to affect their existing 'relational assets as a result of past investments'. In attempting to become a new node of a business relationship, the management of the new venture has to address two issues. First, it has to find some actors interested in 'relating' to the new venture and to engage them in developing the initial business relationships. Developing a relationship is bound to require an investment in constructing the relationship in its various facets jointly with the counterpart. Secondly, the new venture has to manage the 'networking' in terms of combining the initial relationships with each other in a systematic way. Management has to try to build a position relating some of the established actors to each other in a new way.

The four chapters, which focus on the first theme — consequences of the interactive business world for management — evidence that the features of the business world found in the IMP research have rather far-reaching consequences for management, and the implications drawn contradict much of the conventional wisdom. Some of these are that listening is as important as talking, that reactions are as important as actions and that the environment is full of counterparts conducting activities and using resources from which the company can benefit. It is crucial to find and to develop relationships with counterparts, and it is only through these relationships that the

company itself can develop. The development of the interfaces with others is the main force behind development in business.

Implications for Policy Makers

The continuity of business relationships, network structures and interaction processes has implications for those who want to influence the business landscape – the various stakeholders, particularly public policy makers interested in the economic and social performance of the business world. The existence of continuous business relationships, interdependent network structures and ubiquitous interaction processes represent three facets of the business world that are critically important for the economic efficiency and development of both single individual companies and the business world as a whole.

Features of the business landscape have implications for policy makers who tend to sustain or direct the business world. Different policy makers have a stake in the business world and act to influence it so that it develops in a direction that produces desirable outcomes for the public. Means and incentives of economic policy are guided by assumptions about how the business world behaves, acts and reacts. In their efforts to influence economic and business activity in various ways, policy makers often find that the business world reacts in unexpected ways to various policy measures compared to the outcomes their models predict. Promoting innovation and entrepreneurship, for instance, has been high on the agenda of policy makers in the hope of promoting economic development and progress. Various policy measures have been conceived and generously funded based on market models. But business networks are not text-book markets and tend to behave in ways that are not foreseen in market conceptualizations that form the main frame of reference for policy makers. Better understanding of the dynamics and forces shaping the business landscape with its network-like structure, and the role of relationships and interactions among companies may bring about less ineffective policy measures.

The policy theme is discussed in five chapters, each of which deals with a specific aspect of economic policy in an interactive business environment. The first issue, addressed in Chapter 6, regards policies that promote innovation, which is an important topic for policy makers. Numerous policy programmes have been developed by different countries and global organizations to intensify innovation. Innovation policy, as a process in itself, and how it relates to industrial activities, is one of the themes in this chapter. Another is that the existing business landscape, as it comes out in the IMP research, is highly innovative. One major reason is the dynamic dimension in all interaction. Interaction in business relationships implies

learning and adapting and stimulating innovations. Features identified in IMP research as characterising the business world lead to quite different normative recommendations compared to the contemporary view among policy makers. A key aspect is the importance of all the investments already in place, which always makes investments in innovations quite marginal in relation to existing investments, including those in key business relationships. Successful innovations are those that find a way to get the network positively mobilized by positively affecting the value of past investments of some important business actors.

Chapter 7 discusses how features of the business landscape affect policies aiming to promote regional development. Regional development policies have been central in the EU and at single country level. Measures taken to promote development in a geographical area, based on the concept of clusters and (national or regional) innovation systems, have seldom been effective. That is discussed against the findings on features of the business landscape that emphasize its heterogeneity and the importance of specific couplings within and across geographical areas. The importance of firm-specific linkages to places and across places is emphasized. One consequence is the relatedness of one place with other places, which implies crossing (imaginary) boundaries of a place that appears to be the essence of business activity. The chapter concludes by highlighting the possible benefits for regional policies of acknowledging and taking into account firm-specific interdependences.

Chapter 8 discusses 'localization policies' (measures and incentives for attracting and developing companies) in relation to the actual subjects of such policies, their aims and targets. The existence of business relationships and networks and the ubiquity of interaction processes make contemporary policy solutions problematic in all these three aspects. Conceiving the business landscape as interactive and heterogeneous business networks leads the authors to argue that neglecting the networked nature of the business landscape common policy measure become ineffective. It is argued that localization policies consist of multiple initiatives and involve 'a network of policy actors', rather than only one institution. Acknowledging the plurality of policy actors and means would help to focus on the need to orchestrate multifaceted localization policies. Incentives, regulatory frameworks and public investments are some of the constituents of the toolbox of localization policy. The authors also argue that the business network perspective translates into policy measures differentiated for specific companies.

A special type of relationship exists between owners and public companies. Applying the business relationship perspective to owner relationships has some interesting implications that are developed in Chapter 9. Contemporary theory assumes that the role of the owner is mainly providing financial resources (funding). Taking the business network perspective,

the owner's relationships are also important as these influence and shape business relationships and thus the business network. Prior research has shown that the owner – especially if it is a business unit, can be directly involved in both the choice and development of specific customer and/or supplier relationships. These influences from owners can be much more important for the development of the company in question than providing financial resources. One consequence of applying this relationship view on ownership is that it offers the possibility of discussing public ownership in a similar way as private ownership.

Chapter 10 deals with the importance of public procurement and how it can become an important intervening force in some business networks. Two aspects are of particular interest. The first is that public purchasing is an important ingredient in public policy in relation to a number of business networks; it is substantial in areas such as transportation, communication, health care and defence, where the 'public' is often the most dominating actor. As such it can be one of the measures in innovation policies as well as in regional and local development policies. The second aspect is that public purchasing is highly regulated by law, based mostly on the assumption of 'homogeneous, competitive, product markets'. That restricts public procurement in forming close and continuous supplier relationships and making more effective use of these relationships, particularly for development purposes. A consequence is that suppliers' capabilities cannot be used in the same way as in the private sphere. The chapter concludes with a discussion of current developments in regulation that allow closer collaboration with suppliers and the likely benefits, a feature that has been evidenced in the prior IMP research.

These five chapters on economic policy consequences offer a very distinct picture. Policy is an important influencing force in all interactive business landscapes. First, it can serve to determine some external restrictions. It can regulate what is acceptable conduct. The impact of policy measures can be significant, even if they do not always have the expected effects. Better understanding of the dynamics of the business world along the lines emerging in IMP research could make policy measures more impactful. Secondly, and probably more important, policy makers should be considered as actors participating in business interactions and thereby directly influencing what is taking place in specific business networks.

Implications for Research

The prior findings regarding the business world have clear implications for research and researchers. Features characterising the business world affect how to research it empirically and how to conceptualize and explain it.

More empirical research producing accurate images of the phenomena that characterize the business world is needed. At the same time, we lament the shortage of available conceptual tools to approach the phenomena that are relatively easy to identify and observe but for which we have few analytical concepts. Our findings have implications regarding the business world for further research that aims to explain how the business world works. We certainly need a better understanding and more elaborate conceptual frameworks and theories that explain the interdependent and interactive business world that will offer some guidance on how to deal with it and live within it. Given the phenomena found to characterise the business landscape we need to reflect on how these can be researched. There is no doubt that there are both methodological and theoretical implications for how these phenomena should be approached and studied further.

Four issues provide the base for the third theme, which is dedicated entirely to discussing how the phenomena of relationship continuity, interdependent networks and interaction processes affect research in terms of the methodology of research and conceptualizing.

The first and most basic issue is the position and role of IMP research in relation to contemporary economic research, which is discussed in Chapter 11, where the authors raise the issue of phenomenon-driven theory development. The discussion hinges on the methodological implications of phenomenon-driven research and emphasizes the interplay of phenomena in focus, theory development and methodological approaches. Two approaches identified in a natural science field, depicted as image- and logic-based research, are used to examine research on business relationships, networks and interactions. The authors argue that the bulk of IMP studies has taken the image-based approach which, in the natural sciences, is considered to produce hard facts as much as the logic-based (theory testing) research. The detailed images (pictures) of the business landscape that IMP research has produced must be taken as seriously as any quantitative study of the same landscape. Greater awareness and more discussion of the ontological and methodological issues in researching the business world are needed.

Pursuing the image-based approach implies special requirements on case studies. To make these as image based as possible requires focusing on the 'fact finding' to complement accounts by respondents. One particular issue for discussion is how to handle the fact that contemporary economic theory has been built into individuals' mental pictures and a number of accounting routines.

One issue arising in early IMP studies was the importance of setting and defining boundaries both in research and management practice. In the business world, which is characterized by relationships, networks and interaction processes, a rather obvious conclusion is that the boundaries of the firm are blurred. But the role of boundary setting is a much more complicated and

important issue than that. In Chapter 12, boundary setting is identified as an important and highly useful factor both in management practice and in dealing with phenomena in management research. Changing – moving or change in nature – is a key factor in all strategizing and economizing. The authors argue that boundary setting is a critical phase in analysing and interpreting business problems both in management practice and in business research.

The nature and function of boundaries can also vary, a fact exemplified with two archetypes: the integrated hierarchy and connected company. In the first type, the basic strategy of boundaries is buffering to protect the company from external variations. In the second type it is bridging – to connect the company with specific changing factors. One important consequence is that when analysing and handling boundaries both the location and permeability will be central aspects to consider.

The existence and importance of specific interdependencies in all three layers of business relationships – activities, resources and actors – are among the most significant features of the business world. Chapter 13 contains a discussion of interdependences as an explanatory construct in conceptualizing the business world and explaining managerial behaviours. Specific interdependences exist in business networks and influence the outcomes of business relationships. These can be more or less clearly acknowledged and perceived by the practitioners (managers), who can act upon them and create new interdependences. Interdependence thus also plays an important role in developing effective explanations and conceptualizations of the business world. Furthermore, some of the interdependencies are effects due to actions focusing on rationalizations, development or positioning, while some are made with the intention of creating a specific position or some other effects. To live with, and be competent in, handling interdependencies is thus imperative in the interactive business landscape, and consequently interdependencies need to be considered in theorising the business world.

The interactive business world is highly complex and multidimensional, attributes that entail special methodological challenges when empirically researching the phenomena that characterise this world. Chapter 14 discusses such challenges. The first challenge is how to capture the continuity of business relationships, which has implications for the unit of analysis and methods used to gather empirical data. The second challenge is to set boundaries and trace network-like structures, which implies a need to consider how complexity can be brought to a manageable level. Finally, there is the challenge of observing and researching interaction processes in business relationships. The chapter discusses how to handle these issues and argues that it is crucial to capture the interrelatedness of the chosen research object.

Interactivity as a Feature of the Business World and the Challenge for Management and Research

Prior research has evidenced the role of business relationships in the business landscape. These come into existence when resources are combined and tied together, activities are linked and actors bonded to each other through substantive interaction. But this does not happen without effort. Substantive interaction requires active and conscious managers striving to achieve results. All relationships are the consequence of an organizing process in which managers' attitudes and knowledge include elements such as the potential returns of mutual engagement, the acceptance and handling of interdependencies and the need for investments to develop and maintain relationships. Revenues from interaction come after the costs. Thus, for relationships to evolve through interaction, the context has to be of a certain kind. It has to have a certain degree of interactivity.

IMP research revisited in this book focuses on interactivity as the feature that characterizes contemporary economies, and thus the business world. Interactivity is a feature of the business world that offers companies reasons to engage in substantive interaction with each other in pursuit of economies from efficiency and innovativeness. This interaction has as a side effect the creation of a specific structure whereby companies are positioned in relation to each other through business relationships. As business relationships develop through substantive interaction, specific interdependencies arise between the companies. As a consequence, each company becomes dependent on a few other companies for achieving greater efficiency and innovation.

Interactivity is a dimension that describes a certain condition in business networks – a propensity to use interaction in business as a major means in all development processes. Expectations formed as a collective attitude and knowledge about existing economic conditions, and the importance of joint solutions formed through interactions to handle them are an expression of interactivity in the network. This collective condition is important because there are some obstacles confronting the development of substantive interaction. Businesses engage in interaction only when they acknowledge and accept that mutuality is something positive and a necessary condition to achieve some positive outcomes that cannot be achieved in isolation, and that interdependencies can be used in a constructive way. Finally, there must be managers prepared to use resources to build up relationships and to develop joint solutions that will pay in the long run. All relationships require investments. These attitude and knowledge factors, which are aspects of interactivity, are a condition for handling resources and activities to create efficiency and innovativeness.

Engaging in interaction reflects an understanding of interactivity in the context. For several reasons, understanding, assessing and handling interactivity (interacting and developing business relationships) are problematic not only for managers in real life but are also as a research object. A certain level of interactivity is a basic condition for interaction to get underway. Interactivity allows interactions to initiate organizing and problem-solving processes among companies. Interactions (intensity and level) and the consequent level of interactivity are affected in a multifarious way over time by companies' own interests and the availability and diversity of their resources and activities. Interactivity is about the probability that substantive interaction will be useful as a means to achieve positive business outcomes. Interaction processes as means have a double function. On the one hand, they permit the identification and formulation of important issues and weaknesses, the investigation of existing resource combinations and activity links and the identification of problems. On the other hand, interaction processes can result in a number of ideas about potential improvements that could facilitate the identification of resources that might be combined or activities that could be linked. Novel solutions entail new resource combinations and activity linkages that tend to be creative and therefore typically non-linear and highly uncertain in terms of how they will affect the manner in which resources and activities are combined over time and organized into specialized businesses and companies. The way in which interaction processes unfold is usually impossible to predict, because they are difficult to steer and their outcomes in economic terms are often unstable. Furthermore, dividing the jointly created value is a complicated process. Managers and researchers have to wrestle with all these problems when formulating research questions.

On a network level, interactivity reflects and enables the interaction processes that entail a remarkable trial-and-error process affecting, and influenced by, development in a large number of resource and activity interfaces where companies and their interests are confronted and combined in a number of ways. The reason why business relationships are important for economic efficiency at both the single company level and at the network level is that continuous relationships permit experimenting with various developmental possibilities. Therefore, interactivity in the business world is conducive to innovation at the single company level and at network level. This potential effect of interacting and forming relationships between companies leads to the conclusion that the extent of interactivity in a network is a feature on which both efficiency and development in the network depend, and thus is a critical dimension of the business world.

Companies develop specific linkages and couplings and interact within these linkages and couplings to pursue their aims of enhancing efficiency and renewal in using resources and performing activities. Pursuing these

aims implies creating specific interdependences and relationships that affect the total network structure. Networks characterized by high interactivity become efficient and will constantly develop. But there is a very important restriction on pursuing efficiency and renewal – it is always in relation to existing companies and interests on which the business builds and on which it depends. Networks are never neutral or unbiased. They have been created by the companies involved pursuing their particular interests, and should never be left without some controlling actions by the public. Yet, given the complexity in interaction and relational structures, these are difficult for insiders to assess, and assessing these structures from the ‘outside’ is even more problematic. Herein lies a major challenge for both policy makers and researchers.

Interactivity is the theme for the final chapter of this volume, which develops and discusses the concept of interactivity as a central dimension in organizing economic activities because of the impact interactivity has on the economic efficiency and developmental potential of the business world. However, interactivity in the business world would not exist without managerial action. Interactivity at the collective level requires purposeful actions by managers who have to invest in interactions to generate future revenues. Managers must believe in positive rewards from cooperative approaches. When interactivity is at work and allows for interaction processes it becomes a positive force creating joint solutions that improve the economic outcomes for the companies involved. It is the main reason why no business should be regarded as an island.