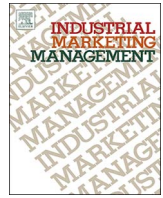




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# Industrial Marketing Management

journal homepage: [www.elsevier.com/locate/indmarman](http://www.elsevier.com/locate/indmarman)

## Introduction

# Change in business relationships and networks: Concepts and business reality

## ARTICLE INFO

### Keywords:

Change  
Relationships  
Network

## ABSTRACT

Change in business reality can be understood by adopting the perspective of IMP approach that is based on the assumption that business entities are interrelated. It highlights interaction processes as the underlying mechanism of change in business relationships and networks – their processes, atmosphere and structure. According to this perspective, the focus of attention shifts away from ways of managing a company to ways of managing business interactions between companies which contribute to change. The paper presents different aspects of the process of change affecting business relationship, with particular emphasis on changes in the relationship (its processes and atmosphere) and the reconfiguration of business network.

Change is a universal phenomenon, which means a transition from state A (old) to state B (new) in a given period of time. Change is not always desirable and perceived as something positive since it often requires mobilisation of more or new resources, causes a rise in social and financial costs, etc. The opposite state, i.e. stability, means that a system continues functioning according to the same rules and within the same structures.

Various approaches have been applied to identify or define change and it is not our intention to present an exhaustive overview. However, we would like to approach the enormous literature on change in business from the perspective of the Industrial Marketing and Purchasing (IMP) Group. The reason why we believe that change is better understood by adopting the perspective of IMP approach is the fact it is based on the assumption that business entities are interrelated. This approach shifts the focus away from managing a company to managing business interactions between companies. Since companies are interdependent, a change in one company can bring internal and wider consequences for firms having direct relationships with it or even in the wider business network. This situation requires the adoption of a broad perspective on sources, characteristics and consequences of change and ways of reacting to it. If we assume that the world of business is marked by interdependence and all manner of interactions, change is an inherent element of its landscape.

Merely identifying changes does not lead to a better understanding of business unless we get to know what causes them and what areas they affect. This special issue presents 16 articles that contribute to the knowledge about change and transformation of business relationships and networks. In this editorial we want to discuss change and transformation taking into account the key issues addressed in each article included in this volume.

## 1. Approaches to change

Change is inherently connected with the essence of business relationships. If we assume that business relationships do not really begin and end (Huang & Wilkinson, 2013, p. 459), we can conclude that they undergo continuous changes over time. While the total pattern of business relationships is relatively stable, existing relationships between companies change in content and strength and the “continuity of change” in business relationships is evident (Håkansson & Snehota, 1995, p. 269).

The character of change in business relationships can vary. Some changes, triggered by critical events can be revolutionary and can require a “shock therapy” involving a reconfiguration of relationships or even a break-down (Knoben, Oerlemans, & Rutten, 2006, p. 298). Usually, however, changes are evolutionary and business relationships change incrementally over time (Burkhardt & Brass, 1990).

Changes in business relationships can be caused by subjective factors (decisions made by individual firms), can be the result of interactions between different firms or can be brought about by objective phenomena. In other words, causes of change can be endogenous (elements of business relationships) and/or exogenous.

Change is inseparably connected with time, which is why it is often explained from the perspective of the process approach (Huang & Wilkinson, 2013). The focus of the process approach is not limited to identifying particular stages of change but includes the analysis of the mechanism of change, i.e. how and why change happens.

There are four theories of change (Van De Ven, 1995): life cycle, teleology, dialectic and evolution. According to life cycle theory, the life of a relationship is divided into a sequence of stages and relationships can progress or die (e.g. Ford, 1980). The teleological theory assumes that

relationships change as a result of decisions made by most powerful entities (leaders) within a given network (Möller & Wilson, 1995). The dialectic approach views the process of change in terms of interactions between competing entities (Webb & Hogan, 2002), but as some authors note (Wilkinson, 1990), it does not explain why and how conflicts (treated as the driving force of change) among companies arise. Finally, the evolutionary theory of change is based on Darwin's work on natural selection in biology. It explains changes (and evolution) by referring to three processes: variation and adaptation, selection and retention/reproduction (Huang & Wilkinson, 2013). From the evolutionary perspective, changes are seen as resulting from interactions that take place over time in an environment (Axelrod & Cohen, 1999).

The four theories emphasise the role of time required for change to take place or to be implemented. They also highlight the importance of interactions between firms as one of the mechanisms driving the process of change. In this context, it is therefore necessary to identify the actual mechanism of change in business relationships, i.e. answer the question about how and why a business relationship moves from state A to state B. This transition always requires some kind of transformation, which enables the company to adapt to new conditions.

Following Hedstrom (2005), it can be assumed that the mechanism of change includes actors (different entities) and activities, which enable them to regularly achieve a specific type of outcomes. Over 40 years of research conducted by the IMP Group highlight interaction processes as the underlying mechanism of change in business relationships and networks (Håkansson & Snehota, 1995). The process of interactions involves actors, their activities, and available resources. It is emphasised that the mechanism of change in business relationships includes the development of activity links, resources ties and actors bonds. Through the process of interaction, actors attempt to adjust to other actors. As a result, interactions shape business relationships in the process of change, by affecting the character of ties, links and bonds.

Interactions in business relationships – perceived as the underlying mechanism of change in networks – enable companies to adjust to the contemporary business world, which is characterised by continuous change (Håkansson, Ford, Gadde, Snehota, & Waluszewski, 2009). Changes are activated in particular contexts (or not) depending on conditions. According to mainstream research conducted by the IMP Group, interactions between different actors in relationships are the natural (and objective) driver of change. According to this perspective, the direction of change is not controlled by a single entity. Some authors, representing the so-called strategic IMP approach, argue that in certain circumstances interactions can be dominated by a single actor, which is the actual driver of change in business relationships and which largely determines their direction. As already mentioned, changes in business relationships can be both objective and subjective. In the latter case, they are often driven by a relationship or network leader (Fonfara, 2012; Möller & Wilson, 1995).

The process of change caused by interactions taking place within business relationships is also affected by factors associated with the business landscape (Håkansson et al., 2009). It is difficult to say definitively which of the currently observed changes in the business landscape are the most important. Given the complexity of business processes, each choice will be more or less subjective.

Nowadays we can observe many changes in business relationships which are triggered by rapid advances in communication systems, which have facilitated dialogue and interactions between different actors in the business-to-customer (B2C) and business-to-business (B2B) market. The growing activity of customers, suppliers or even competitors in business relationships has affected the nature of interactions between customers and sellers. In the context of widespread internationalisation of business, only relatively few companies can afford to function without connections with foreign partners (Ratajczak-Mrozek, 2017). The majority of firms can only develop by having interactions with foreign partners and often have to develop business relationships with culturally distant firms. Undoubtedly, technological development and internationalisation of business have both intensified competition and forced companies to look for new strategies of securing their market position. Apart from large corporations, the market has been populated by very creative smaller firms, which try to succeed by achieving a favourable position in business relationships with dominant entities.

In view of the above considerations, the process of change in business relationships can be summarised as follows: impulse for change (objective, subjective, within the firm or in the business landscape) → state A of business relationships → interaction (between actors, activities and resources) → transformation of business relationships → state B of business relationships (outcome of changes) → impulse for change → interactions and so on.

The articles included in this special issue largely reflect the characteristics and scope of current changes in business relationships. Their authors have focused on different aspects of the process of change affecting business relationship, with particular emphasis on changes in the relationship (its processes and atmosphere) and the reconfiguration of business network.

## 2. Change of relational processes

A relationship differs from individual interactions in that it involves sets of interconnected activities that determine processes of exchange, routine formation, adaptation and cooperation or conflict (Håkansson & Snehota, 1995). These processes connect actors in a relationship and lead to an interdependence of activities and resources.

Articles selected for this special issue do not attempt to merely describe changes caused by these processes but describe changes in the characteristics of relational processes. In particular, they focus on the growing activity of customers and other actors involved in interactions in the process of cooperation, highlighting positive effects of value co-creation for all actors. The study described by Waseem, Biggemann and Garry in paper “Value co-creation: The role of actor competence” indicates that actors need some behavioural competences to co-create value, which are related to organisational (in-role) and individual (extra-role) competences. Co-creation resulting from customer collaboration is particularly important in product development for technology-based start-ups, an issue addressed in paper “Business creation in networks: How a technology-based start-up collaborates with customers in product development” by Laage-Hellman, Landqvist and Lind. To enable change and development in this area and become a viable business, companies need to choose appropriate areas of application, taking into account their possibilities. Therefore, the relational process of developing a product in collaboration with customers' needs to be aligned with organisation and work processes of a start-up. One strategy that can enable value creation is co-competition, which is the finding of a study described by Zolkiewski and Chou in paper “Coopetition and value creation and appropriation: The role of interdependencies, tensions and harmony”. The authors conclude that if the strategy of co-competition is pursued by taking into account the development of cooperative relationships and the idea of inter-firm interdependencies, it can lead to the emergence of paradoxical and contradictory interactions which give rise to tensions and harmonies spanning organisational boundaries. Toth, Peters, Pressey and Johnston, the authors of the paper “Tension in a value co-creation context: A network case study” argue that co-creation can also cause tensions and conflicts in business relationships and this form of close cooperation is not always problem-free.

Another topic related to change in relational processes is reestablishment of old business relationships by the process of adaptation. Choi and Hara show in their paper “The performance effect of inter-firm adaptation in channel relationships: The roles of relationship-specific resources and tailored activities” that tailoring resources and activities to the expectation of the customer has a positive influence on relationship performance,

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