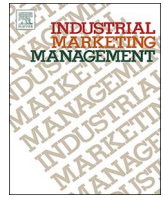


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Introduction

Change in business relationships and networks: Concepts and business reality

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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,

even if integration is low. The authors use their study results to describe the nature of interdependence by showing that producers and distributors have specific resources, which, when combined (in the process of mutual adaptation), can be used to better differentiate their products. Leischnig, Ivens, Niersbach and Pardo in the paper “A process model for diagnosing barriers to key account management implementation” focus on the fundamental organisational change required for a successful implementation of key account management, describing obstacles and challenges that need to be overcome.

While the papers presented so far focus on one particular relational process, the paper “The impact of social media on resource mobilisation in entrepreneurial firms” by Drummond, McGrath and O’Toole addresses a number of processes and analyses changes in the structure of activities in relationships and B2B networks that are due to the use social media by small firms. Social media affect processes of resource mobilisation by facilitating and accelerating access to network actors, the establishment of relationships, the search for and provision of information, coordination and reconfiguration of activities necessary for cooperation.

3. Change in the atmosphere of interaction

According to the IMP interaction model (Håkansson, 1982), interactions occur both between organisations and organisational units. Exchange episodes (short-term perspective) and relational processes (long-term perspective) are embedded in the atmosphere of interaction. It shapes the context of episodes and processes in terms of power/dependency, cooperation, closeness and mutual expectations. A change affecting one partner of a relationship can affect the atmosphere of the entire relationship.

Interactions between different actors can also occur in business relationships dominated by certain actors. Asymmetric relationships motivate weaker partners to change the current power (and benefit) structure and create a more balanced system of connections. Such actions change the overall context in which exchange episodes and relational processes take place. A change of context in a relationship with a more powerful customer is difficult because it is usually impossible (over a short period of time) to eliminate differences between, e.g. a small supplier and a large customer. However, a study described by Siemieniako and Mitreğa in the paper “Improving power position with regard to non-mediated power sources – Supplier’s perspective” indicates that a weaker partner does not have to view the power imbalance as a permanent feature of the relationship and can question it. Even if power disparity does not change, the smaller partner can exploit the relationship with the bigger partner by learning from, adopting its business practices, or treating the stronger partner as a kind of benchmark. All of these activities can build up its position and increase its own power, thereby changing the relationship context.

Pagano, Bocconcelli and Murmura in the paper “Interacting with large customers: resource development in small B2B suppliers” describe how a small supplier can change its position in relation to larger customers by transforming its resources and changing the way they are shared in subsequent stages of the relationship. They report results of a case study in which a supplier with a weak position in relation to key customers changes its business approach by focusing on its technical resources, developing relationships and improving organisational processes. As a result of these changes, it can position itself as a key supplier, which is able to meet technical and operational requirements of its customers. In effect, the power imbalance is eliminated and the company is treated as a first-tier supplier.

4. Reconfiguration of the business network

As already mentioned, change can take place at the level of a single actor, relationships or an entire business network (Halinen, Salmi, & Havila, 1999). If we define a network as a structure where a number of nodes are related to each other by specific threads (Håkansson & Ford, 2002), then the appearance of new and the disappearance of old actors, resources or activities reconfigure the network.

When a relationship between two actors is terminated, their business networks change as well – not only does a loss of an actor change the structure of a given network but it can also affect relationships between actors remaining in the network. The end of cooperation is not necessarily permanent, since terminated relationships can be restored. Hurmelinna in the paper “Exiting and entering relationships: A framework for re-encounters in business networks” shows that such restoration can range from refraining from future interaction, to retribution, reframing and full reactivation. Consequently, a return after a period of separation in which individual actors have changed, does not imply a restoration of exactly the same relationship.

A different approach to the reconfiguration of a business network is presented in the paper “Strategic patterns in the development of network capability in new ventures” by O’Toole and McGrath, who view a business network through the lens of strategizing for capacity development. According to this view, possible changes in the business network context and its potential for new ventures are perceived as a strategic option in order access and mobilise resources with other network actors. Strategizing for network capability development can be implemented in two ways: as an intuitive, emergent pathway or as a deliberate strategy. Ojansivu and Medlin in their paper “To whose drum are we marching? Change in business networks through a contextual logics perspective” describe changes that take place within a network through the interplay of contextual logics – they exhibit how managers can collaboratively apply contextual logics to coordinate activities in networks and describe the role played by contextual logics in mobilizing, protecting and sharing resources in relationships.

One specific example of reconfiguration of a business network involves establishing cooperation with new foreign actors, which increases the degree of internationalisation of the company itself and the network as a whole. According to the most traditional network approach, a company’s internationalisation “means that the firm establishes and develops positions in relation to its counterparts in foreign networks” (Johanson & Mattsson, 1988, p. 296), which in turn naturally reconfigures the network at an international level. Baraldi, Ciabuschi, Fratocchi and Lindahl in the paper “A network perspective on the reshoring process: The relevance of the home- and the host-country contexts” describe the process of changes associated with offshoring and reshoring (including selective reshoring) and decisions which depend on both the firm’s strategy and the home and host country network. Another two articles address the problem of change and international business network reconfiguration in the context of international entrepreneurship and international opportunities. Bai and Johanson in the paper “International opportunity networks: A capability view” focus on the identification of new international opportunities, especially network-mediated opportunities, which depend on networking capability. In a paper “The interplay between social capital and international opportunities: a processual study of international ‘take-off’ episodes in Chinese SMEs” devoted to the analysis of dynamics of pre-internationalisation Tian, Nicholson, Eklinder-Frick and Johanson identify stages of the process taking into account the actor’s orientation toward international opportunities.

5. Conclusions and further research

The articles presented in the special issue provide methodological and theoretical contributions and some managerial implications. They also indicate directions for future research on change in business relationships and networks.

The 16 articles selected for this special issue are devoted to changes in business relationships and networks. In terms of research methodology used, authors of 13 papers describe changes on the basis of qualitative analysis of case study results. The choice of the case study method is particularly justified if one considers its suitability for answering questions about how and why certain phenomena occur in the economic reality (Marschan-Piekkari & Welch, 2004). Case studies described in the articles include a longitudinal single case study and non-longitudinal case studies. A longitudinal single case study is particularly suitable for analysing the process of change over time. Methodological considerations associated with qualitative research are also raised in one of the paper “Collecting rich qualitative data on business relationships and networks in CEE countries: Challenges and plausible solutions” by Ivanova-Gongne, Koporcic, Dziubaniuk and Mandjak, who present challenges of collecting rich qualitative data on business relationships in Central Eastern European countries.

Case study analyses presented in this issue focus mainly on identifying processes, mechanisms and evolution of change. There are two articles which are based on quantitative analysis of variables affecting change and the effects of that change. For purposes of future research it can be concluded that the choice of methodology for investigating change in relationships and networks should be determined by the area of analysis one wants to focus on. A process which takes place over a longer period of time and its underlying mechanisms should be analysed from the qualitative perspective. In contrast, dependencies between particular variables of change and effects of change should be studied by quantitative methods.

Considering their theoretical input, most articles in this volume represent the process approach to change (Huang & Wilkinson, 2013), which focus on the stages, mechanism and causes of changes. It should be emphasised that choice of the theoretical approach used in mainstream research conducted by the IMP Group is well suited to the analysis of the process of change, as it is based on the assumption of interdependence of actors in the business landscape; such an assumption helps to understand change at the level of relationships, networks and, more generally, business activities of companies. According to this perspective, the focus of attention shifts away from ways of managing a subsidiary company to ways of managing business interactions between companies which share responsibility for and contribute to change. It should be noted, however, that while all articles in this issue provide a very good description of changes that occur at the level of relationships themselves (their processes and atmosphere) and at the level of business network and their reconfiguration, they devote less attention to challenges posed by changes in management. If we accept that change (regardless of consequences) is inevitable because of the interdependence of relationships and constant interactions, then future research should provide more managerial solutions that can be applied in the ever changing business landscape, for example recommendations for managerial decisions about the direction of changes or ways of developing capabilities of adaptation in the ever changing and interdependent business landscape.

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