

CHAPTER 8

MARKETS-AS-NETWORKS THEORY: A REVIEW

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ABSTRACT

This paper exposes the development of markets-as-networks theory from formal inception in the mid-1970s until 2010 state-of-the-art, en route presenting its historical roots. This largely European-based theory challenges the conventional, dichotomous view of the business world as including firms and markets, arguing for the existence of relational governance structures (the so-called “interfirm cooperation”) in addition to hierarchical and transactional ones.

1. INTRODUCTION

The “Industrial and Marketing Purchasing Group” (or “IMP Group,” henceforth IMP) is the most prominent worldwide research community dedicated to the study of vertical cooperative linkages – so-called business relationships – established, developed, and maintained between firms in the business world. The origins of IMP, according to one of its founding fathers (Cunningham, 1980), can be traced back to the mid-1970s when several junior marketing researchers – from France (Jean Paul Valla and Michel Perrin, Institut de Recherche de l’Entreprise in Lyon), Germany

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(Michael Kutschker, University of Munich), Italy (Ivan Snehota, Isvor-Fiat Institute in Turin), Sweden (Hakan Hakansson, Lars Hallen, Jan Johanson and Bjorn Wootz, University of Uppsala), and the United Kingdom (Malcolm Cunningham, Elling House, and Peter Turnbull, University of Manchester Institute of Science and Technology and David Ford, University of Bath) – dissatisfied with the explanatory power of marketing theory (deeply rooted in microeconomics), started to challenge the conventional view of (both atomistic and faceless) business-to-business (B2B) markets with the empirical findings of research undertaken in Europe.

Some seminal contributions can be identified, for instance, Blois (1972), Ford (1978), Hakansson (1975), Mattsson (1973), among others. IMP currently comprises more than 300 scholars and researchers mostly from Europe, but also from Australia, Japan, and the United States of America. Hakansson and Snehota's (2000, p. 35) characterization of IMP is insightful: "The IMP is a prime example of what it is also studying – a flexible network organization with floating boundaries but built around some strong relationships that connect and permit cross-fertilisation of various streams of ideas and research." IMP's main discussion fora are its annual conferences, held since 1984. For more details, see the website <http://www.impgroup.org>.

The extensive conceptual and empirical body of knowledge developed by IMP members over the last four decades draws upon many analytical frameworks and theories – for instance, social exchange theory (Blau, 1964), interorganizational theory (Negandhi, 1975), relational contracting theory (Macneil, 1980), resource dependence theory (Pfeffer & Salancik, 1978), organizational theory (March & Simon, 1958), or even transaction cost economics (Williamson, 1985), just to mention a few.

Whenever discussing or reviewing this 40-year-old body of knowledge, many scholars and researchers diverge with regard to its denomination: whereas some call it "an approach" (Hakansson, 1987) or "a paradigm" (Easton, 1992), others see it as "an European-based research tradition" (Johanson & Mattsson, 1994), "a school of thought" (Araujo & Easton, 1996), "a perspective" (Turnbull, Ford, & Cunningham, 1996), or a relatively new "theoretical territory" in the marketing landscape (Easton & Hakansson, 1996). Some IMP members even take a postmodernist stance by collapsing this body of knowledge into the IMP itself, strangely confusing the former with "a social enterprise" (Axelsson, 1992b) or "a social grouping" sharing similar interests and assumptions (Easton & Araujo, 1989).

In contrast to these varying terminologies (and positions), the author explicitly contends that this body of knowledge constitutes as a whole a

theory, namely the so-called markets-as-networks theory (henceforth “MAN theory”), also often referred to as industrial networks theory.

The author argues that the body of knowledge produced by the IMP is a “theoretical system of constructs and variables” (e.g., “actor,” “adaptation,” “net,” and so forth), “linked by propositions and hypotheses” (e.g., concerning “the existence, connectedness, and uniqueness of business relationships in the business world”). Accordingly, this body of knowledge constitutes a theory – at least if one adopts Bacharach’s (1989) robust definition of “theory.” The recognition of a full-fledged MAN theory (cf. Hakansson & Snehota, 2000, p. 46) is shared – at least implicitly – by many IMP members (see, e.g., McLoughlin & Horan, 2002; Moller & Halinen, 1999). The difficulty to acknowledge the existence of a holistic theory of B2B markets is probably related to, as Melin (1989) stresses, the need for that theory to address the multiple ambiguities observed in business relationships and networks (e.g., coexistence of cooperation and conflict and of stability and change within the same business relationship). As Easton (1992) argues, MAN theory handles quite well both the inconsistency and complexity inherent in business relationships and markets.

MAN theory tentatively describes and explains the inner workings of business networks and the vertical cooperative relationships between firms that these networks include. The “interaction,” “relationship,” and “network” are the theory’s main units of analysis (Easton & Hakansson, 1996). Manifold MAN theory features at least three major conceptual cornerstones: the existence, connectedness, and uniqueness of business relationships (Ford, 1980); business relationships as a third type of governance structure, alternative to both hierarchies and markets (Richardson, 1972); and the significance of business relationships to the firm (Johanson & Mattsson, 1987) – the potential causes bringing about “relationship significance” are addressed in detail by Sousa and Castro (this volume).

To the best of the author’s knowledge, MAN theory is not yet subject to a solid articulation and explicit codification – even when one acknowledges the first attempts of some MAN theorists (e.g., Johanson & Mattsson, 1994; McLoughlin & Horan, 2000a; Ritter & Gemunden, 2003a; Turnbull et al., 1996). This paper thus attempts to fill a conceptual gap in the related MAN literature.

Section 2 presents the historical roots of MAN theory, going back to the seminal works of Smith, Young, and Richardson who paved the ground for the subsequent analytical and empirical research. The theoretical development process as well as the dissemination and largely descriptive character of the theory are described in Section 3. MAN theory’s current

state-of-the-art, basically the postulated network view of the business world, is presented in Section 4.

2. HISTORICAL ROOTS OF MAN THEORY

Although MAN theory flourishes from the 1970s onward (mostly owing to the prolific research of the IMP), the deepest of its roots can be traced back to the seminal works of Adam Smith (1776 [1999]), Allyn Young (1928), and George B. Richardson (1972) who lay (in this chronological order) some of the theory's primordial foundations.

2.1. Division of Labor Within and Among Firms: Smith and Young on Specialization and Integration

Smith's pioneering inquiry leads him to conclude that the division of labor, that is, the separation of complex work (performed by a single worker) in a multitude of simpler tasks (in the hands of different workers), is the key factor in the economic development of any country. Division of labor necessarily gives rise to substantial increases in the productivity of a country's varied "trades" and "businesses" – in Smith's 18th century terminology. Such positive effects – in the form of a greater output of work and/or reductions in productive costs (i.e., scale economies) – are brought about by two factors: first, the increasing dexterity, efficacy, and efficiency of workers in the (repeated) performance of specific tasks over time; and second, technological innovations (e.g., time-saving and high-throughput machinery) often introduced by machinery producers but on occasion devised by inventors or even common factory workers (Smith, 1776 [1999], pp. 112–125).

Smith asserts that the division of labor is not the aftermath of human wisdom but results instead from the "[human] power of, and disposition to exchange one thing for another" (p. 117). Individuals find to own advantage to first, concentrate on what are capable of producing and then, exchange the surplus of production (above consumption needs) for what one needs or wants, that is to say, the product of other individuals' labor. Human self-interest does not preclude exchanges; on the contrary, self-interest contributes heavily to the engagement in mutually agreed exchanges, for (more or less) dissimilar outcomes of one's labor are of use to someone else (p. 119).

Smith therefore argues, in opposition to previously thought, that the notorious inequality concerning human “talents” and “geniuses” is not the primary cause of division of labor. That inequality, Smith claims, is likely to be more of an effect than a cause of division of labor and tends to widen over time as the division of labor increases (p. 120). Division of labor has hence an important role in reinforcing specialisms – specialisms that, as one knows, in part also bring about the division of labor.

Smith therefore derives the well-known theorem that the degree to which division of labor is effected is limited by the extent of the market (i.e., overall demand for products resulting from individuals undertaking subdivided tasks) (p. 121). The division of labor is likely to expand into several trades and businesses insofar as the (consumer) market grows (driven, e.g., by reductions in transportation costs). Smith alludes to the rise of British commerce with both inland regions and foreign countries, by the end of the 18th century: the market grew as transportation costs decreased, mainly owing to substitution of water carriage for land carriage (p. 123). In short, Adam Smith’s thesis is that the division of labor (and the increasing productivity that it gives rise to) ultimately brings about wealth – and in the case of a fair society, wealth generated by the whole nation is in principle distributed fairly among individual of all societal classes (p. 115).

Smith’s work is extended only more than 150 years later when Allyn Young, a 20th century American economist, provides explanations on “increasing returns.” Young (1928, p. 529) starts where Smith leaves off: unlike the trades and businesses so characteristic of the late 18th century (on which Smith focuses), Young turns attention to the manufacturing industries that emerged in England and in the United States at the beginning of the 19th century with the Industrial Revolution. For Young, the division of labor accounts for the obtainment of increasing returns and thus for economic progress – and that increase returns and economic progress are in turn likely to lead to a further division of labor. Young argues that the main outcomes accruing from division of labor, namely greater productivity, are obtained whenever high-throughput machinery is deployed in work. That is, the principal economies obtained with the division of labor – what Young calls “the economies of roundabout methods of production” – are those of “(...) using labor in roundabout or indirect ways (...)”, for instance, as in “(...) Mr. [Henry] Ford’s [production] methods (...)” (pp. 530–531, 539).

The division of labor, according to Young, triggers a series of changes (e.g., in the form of new competences, activities, products, or even new firms and industries) that progressively propagate throughout firms and the industries of which are a part (p. 533). In this respect, one can – as, for

instance, Araujo and Kerndrup (2001) do – recast that series of changes (both of a qualitative and quantitative nature) as a cascade of connected teaching and learning processes taking place inside as well as across corporate boundaries, considering at the same time that interfirm vertical linkages (mostly business relationships) are primary platforms for effecting such processes.

With the division of labor, internal economies of (otherwise extremely large and multiproduct) firms give way to internal and external economies of (specialized and single-product) firms (p. 538). As Young (p. 528) puts it, “(...) the economies of some firms (...) figure as the external economies of other firms (...)” Alfred Marshall (1890 [1997]) provides a fruitful distinction between the internal economies that the firm is able to explore (especially when operates at a large scale, e.g., of production) and the economies that are external to the firm. The “Marshallian” firm is a medium through which (productive) economies are obtained and “transferred” to the market, with those economies being in part visible in the price of products on sale. The firm, therefore, is likely to profit from own (scale and scope) economies and from (scale and scope) economies appropriated by connected counterparts, of the same or related industries. Young seems to allude to the connectedness of firms and industries when claims that external economies do not add up to – in fact are greater than – the sum of all firms’ internal economies (p. 528) and notes that the growth of some industries is contingent on the growth of other, ancillary industries (p. 538).

Most importantly, Young argues for the division of labor to occur not only within but also among firms and industries (p. 529). Young addresses an important (yet usually neglected) feature of division of labor. Although the essence of division of labor is the specialization taking place inside firms and industries, “integration” (typically in form of cooperation) among firms and industries surely follows. The specialization–integration duality inherent in the division of labor is captured by Young’s (p. 538) instructive outlook on industries: “It is sufficiently obvious (...) that over a large part of the field of industry an increasingly intricate nexus of [highly] specialised undertakings has inserted itself between the producer of raw materials and the consumer of the final product.” Even Adam Smith (1776 [1999], pp. 116–117) apparently refers to that concomitant integration when says that final products are the joint outcomes of a diversity of (interrelated) labor endeavors. Piore (1992), however, is probably the first scholar to list explicitly corporate specialization and integration (i.e., interfirm cooperation) as indissociable characteristics of the division of labor. To the (increasing) division and subdivision of activities, one often replies with

(increasing) attempts to integrate activity outcomes. Patterns of integration and “disintegration” taking place over time (especially at a vertical level, i.e., within arm’s-length relations and/or business relationships between buyers and sellers) are described and justified at length, for instance, by Langlois and Robertson (1995).

Main effects of specialization and integration can be summarized as follows: the former brings about (i) a higher productive efficiency of the firm (Marshall, 1890 [1997]; Young, 1928), (ii) the potential enhancement of existing corporate competences or development of new ones (Richardson, 1972), and (iii) innovation (e.g., new attributes of or uses for corporate resources) (Penrose, 1959); the latter, on the other hand, results in a higher efficiency (with respect to the firm’s costs of transacting or interacting with counterparts, via arm’s-length relations and business relationships, respectively) (Hakansson & Snehota, 1995; Williamson, 1979) and allows the firm to access and explore external, complementary resources and competences (Hakansson & Snehota, 1989).

Finally, one needs to recognize that integration is also found within the firm, for the interdependence between firm’s departments, divisions, and activities grows and strengthens over time as specialization is underway within corporate boundaries (Piore, 1992). Young (p. 539) makes the same point on firm’s (internal) interdependence: “What is required is that industrial operations be seen as an interrelated whole.” Understandably, the (corporate) whole is “greater than the sum of parts.”

2.2. *Firm, Market, and Interfirm Cooperation as Governance Structures: The Richardsonian Insight*

The conventional perspective of self-sufficient firms only competing in (faceless) markets is first challenged in explicit manner almost 40 years ago. George B. Richardson, in the 1972 path-breaking “The organisation of industry,” alerts to the “highly misleading account” or “distorted view” (commonly found in standard theories of the firm and of markets) concerning the way in which each and every industry is *de facto* organized (pp. 883–884). Division of labor, according to such theories, entails the choice between firms and markets, that is to say, between hierarchies and arm’s-length relations established between firms, respectively. Coordination of economic activities is effected either via “direction” (within firms) or through the “invisible hand” (operating spontaneously between firms). While the invisible hand of markets features prominently in Adam Smith’s

(1776 [1999]) work, the “visible hand” of firms is only given emphasis in the 20th century, for instance, by the business historian doyen Alfred Chandler (1977).

Above-mentioned standard theories of the firm and markets, Richardson continues, build upon a sharp firm–market dichotomy and exhibit two deficiencies: first, theories assume (yet do not account for) the principle of the division of labor between firms and markets, that is to say, theories fall short of explanations on which activities are coordinated by corporate “directed planning” and which activities are left to the “spontaneous coordination” of the “price mechanism”; and, second, theories fail to notice a pervasive phenomena of the business world, namely “interfirm cooperation” which – as Richardson claims – provides an alternative mode of coordinating economic activities, in addition to hierarchical and market governance structures. Richardson alludes to “(...) the ingredient of cooperation being very commonly present, in some degree, in the relationship between buyer and seller” (p. 886) as well as “(...) the dense network of cooperation and affiliation by which firms are interrelated” (p. 883).

Richardson (1972) distinguishes clearly between interfirm cooperation and pure market transactions (between firms). Cooperation in “(...) traditional links between buyers and sellers (...) found in most markets (...)” is “close, complex and ramified” (pp. 884, 891). In such “cooperative arrangements” (p. 886), “reciprocal undertakings” (p. 891) or “business relations” (p. 895), both parties accept the obligation of (and give implicit assurance concerning) firms’ nonopportunistic behavior presently and in the future. In purely transactional interfirm relations, on the contrary, “(...) there is no continuing association, no give and take, but an isolated act of purchase and sale (...)” (p. 891).

For Richardson, the principle governing the division of labor (or, in other words, the coordination of economic activities in firms, markets, or interfirm cooperation) can be grasped only when two elements are brought into the forefront: corporate activities and related competences (or “capabilities” as Richardson mentions). Richardson views each industry as composed of a large number of interrelated activities (e.g., research and development, purchasing, production, marketing, and so on). Corporate activities are only carried out by firms endowed with appropriate competences, that is, the know-how to do things effectively and efficiently (p. 888). Activities fall under two types (pp. 888–889): “similar” and “complementary.” While similar activities demand the same resources and competences for undertaking, complementary activities (as a rule “dissimilar”) represent different stages of a productive process and need to be coordinated in level or

specification. Activities may even be “closely complementary” if mandate both quantitative and qualitative coordination (p. 891).

Firms are necessarily devoted to a certain range or scope, undertaking only those activities for which have the required resources and competences. That is, firms tend to specialize in certain activities for which corporate resources and competences (internally developed, acquired, and/or accessed and exploited via cooperation) offer some “comparative advantage” (p. 891). Given the limitedness of (internal) corporate resources and competences, it is to firms’ advantage to concentrate in (and possibly expand into) activities which firms are in fact capable of performing. So, activities within corporate boundaries are in general similar – this is not to say that firms cannot produce several products and thus compete in different product markets (pp. 888–889).

Two obstacles impede the coordination of all activities to be effected within a single, large, and necessarily self-sufficient firm. First, corporate activities display economies (and diseconomies) of scale and scope. The scale at which an activity is performed (i.e., the volume of output that activity generates) affects the activity’s efficiency given that for the most part there are not “constant returns to scale” or, in other words, there is an “optimum” point until which “increasing returns to scale” (e.g., reductions in per-unit productive costs) are obtained and from that point onward, the firm incurs “decreasing returns to scale” (e.g., increases in per-unit marketing costs). For instance, Penrose (1959) explicates in detail the limits to corporate growth and size, pointing out “decreasing returns to management” and “bureaucratic costs” *inter alia* as explanatory factors. Second, the performance of activities does not necessarily require similar corporate competences.

By bearing in mind these two obstacles, one can argue that Richardson (1972, pp. 890–891) offers a competence-based answer to Ronald Coase’s (1937) famous questions, namely “why do firms exist at all (when markets can in principle coordinate all activities)?” and “why does not exist only one extremely large firm (instead of the myriad of firms observed in the business world)?”. Richardson (p. 896) himself considers the “Coasian” explanation on the existence of firms – that there are substantial costs of “using” markets to effect the coordination of economic activities, costs that may exceed those associated with coordination within hierarchies – to be consistent with and providing a solid basis for own rationale (for Richardson is explicit about factors that may affect those “relative” costs, of hierarchies *versus* markets). However, a notorious difference between Richardson and Coase can be found: only the former acknowledges explicitly interfirm cooperation as a distinct governance structure (p. 896).

In short, it pays off to leave the coordination of some activities – especially complementary ones, which may be dissimilar – to the responsibility of several firms, either resorting (as adequate) to purely transactional relations or to lasting and complex interfirm cooperative linkages. One can rely on markets’ “law of large numbers” – that owing to the presence of aggregates of suppliers and customers, overall supply tends to equal overall demand – for carrying out the qualitative coordination of complementary activities. Dissimilar yet closely complementary (i.e., demand not only quantitative but also qualitative coordination), on the other hand, need to be coordinated by interfirm cooperation. Richardson (p. 892) hence arrives at the *raison d’être* for interfirm cooperation: “Here then we have the prime reason for the existence of co-operation and association the existence of which we noted earlier. They exist because of the need to co-ordinate closely complementary but dissimilar activities. This coordination cannot be left entirely to direction within firms because the activities are dissimilar, and cannot be left to market forces in that it requires not the balancing of the aggregate supply of something with the aggregate demand for it but rather the matching, both qualitative and quantitative, of individual enterprise plans.”

Richardson’s enlightening insight is that the division of labor is effected by one of three alternative (yet not completely distinguishable) modes of coordinating economic activities. Richardson posits a continuum of governance structures, ranging from firms through interfirm cooperation to markets: “It is important, moreover, not to draw too sharp lines of distinction between the techniques of coordination themselves. Co-operation may come close to direction when one of the parties is clearly predominant; and some degree of *ex ante* matching of plans [i.e., cooperation] is to be found in all markets in which firms place orders in advance” (p. 896, emphasis in original). Finally, Richardson makes two relevant points: “And just as the presence of co-operation [within both interfirm cooperation and market transactions] is a matter of degree [for cooperation is minimal in the latter governance structure], so also is the sovereignty [i.e., direction] that any nominally independent firm is able to exercise on a *de facto* basis (...)” (p. 887). With interfirm cooperation on hand, firms should be no longer seen either as “(...) islands of planned coordination in a sea of market relations (...)”, that is, as “(...) autonomous units buying and selling at arm’s-length in markets (...)” (p. 883). One needs to reject unrealistic depictions of the business world such as this: “Here and there, it is true, we have found islands of conscious power in this ocean of unconscious co-operation, like lumps of butter coagulating in a pail of buttermilk” (Robertson & Dennison, 1923, p. 73).

3. DEVELOPMENT, DISSEMINATION, AND ORIENTATION OF MAN THEORY

3.1. The European Alternative to the (Dominant) American View of B2B Markets

Two research traditions can be found in the field of industrial marketing and purchasing. The first research tradition, developed in America since the 1960s and still dominant in the field, features the application – problematic, to say the least – of “consumer marketing theory” in B2B settings (e.g., see Bonoma & Zaltman, 1978; Bonoma, Zaltman, & Johnston, 1977; Nicosia & Wind, 1977; Robinson, Faris, & Wind, 1967; Sheth, 1977; Webster & Wind, 1972a; Wind, 1978). This American view of (seller-dominated and atomistic) B2B markets – wherein firms deploy “marketing-mix” parameters (namely “product,” “price,” “distribution,” and “promotion”) and anonymous buyers respond (by buying or not the products on sale) – is challenged since the mid-1970s by another, largely European research tradition. The most notorious offspring of the latter tradition is MAN theory.

Antecedents of MAN theory can be found in three strands of research: first, earlier studies in distribution channels, particularly on “power” and “control” issues between channel members (e.g., Bucklin, 1965; El-Ansary & Stern, 1972; Rosenberg & Stern, 1970; Stern & Reve, 1980; Webster, 1976; Wilkinson, 1976, 1973, 1979); second, studies in the firm’s internationalization process (e.g., Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975); and finally, a vast array of studies in both “industrial buying behavior” (e.g., Blois, 1970; Cunningham & Kettlewood, 1976; Cunningham & White, 1974a, 1973; Hakansson & Wootz, 1975a, 1975b; Jarvis & Wilcox, 1977; Johnston & Bonoma, 1981; Luffman, 1974; Pettigrew, 1975; Sheth, 1973; Spekman & Stern, 1979; Webster, 1965; Webster & Wind, 1972b; Wind, 1970; Woodside & Samuel, 1981) and “industrial marketing processes” (e.g., Blois, 1977; Cunningham & White, 1974b; Ford, 1978; Hakansson, 1980; Hakansson, Johanson, & Wootz, 1976; Hakansson & Ostberg, 1975; Hakansson, Wootz, Andersson, & Hangard, 1979; Mattsson, 1973; Reve & Stern, 1979; Turnbull, 1974).

MAN theorists also take advantage of (more or less) distant but stimulating sources of ideas on interdependence and interfirm cooperation (e.g., Aiken & Hage, 1968; Aldrich, 1976; Blau, 1964; Chamberlain, 1968; Dill, 1958; Emerson, 1962; Emery & Trist, 1965; Evan, 1966; Granovetter, 1985; Jacobs, 1974; Levine & White, 1961; Lincoln, 1982; Litwak & Hylton, 1962; Macauley, 1963; Macneil, 1980; Miles, Snow, & Pfeffer, 1974;

Negandhi, 1975; Phillips, 1960; Telser, 1980; Van de Ven, 1976, Van de Ven & Koenig, 1975; Warren, 1967; Whetten & Leung, 1979). Other inspirational fountainheads are mentioned in the overview of MAN theory's state-of-the-art (Section 4).

3.2. IMP1 and IMP2 Research Projects, the Interaction Approach, and the ARA Model

MAN theory's development parallels the qualitative research (mainly case studies) undertaken by the IMP over the last four decades. Several reviews on precursors, evolution, assumptions, implications, and future agenda of MAN theory are available (see, e.g., Easton, 1992; Ford & Hakansson, 2006b; Gemunden, 1997; Hakansson & Snehota, 2000; Johanson & Mattsson, 1994; Mattsson, 2004; Mattsson & Johanson, 2006; Mattsson & Naert, 1985; McLoughlin & Horan, 2000a, 2002, 2000b; Ritter & Gemunden, 2003a; Turnbull et al., 1996; Wilkinson, 2001; Wilkinson, Morlacchi, & Young, 2005a; Young, 2002).

MAN theory's formal genesis (as well as the creation of IMP) is traced to 1976 when the "International/Industrial Marketing and Purchasing" – so-called "IMP1" – research project began. IMP1 is born from the dissatisfaction of about 20 junior European scholars and researchers with the explanatory power of marketing theory concerning industrial buying and selling – see, for instance, Monthoux's (1975) reasons on this matter. Those European scholars and researchers share the conviction that marketing theory provides a very limited (if not unrealistic) understanding of how B2B markets really work in practice. IMP lasts 6 years during which about one thousand buyer–seller relationships – "industrial systems" of goods, within and mostly across five European countries (namely, France, Germany, Italy, Sweden, and the UK) – are inquired via structured interviews with representatives of both suppliers and customers. IMP1's methodological design and findings are detailed in Cunningham (1980) and Hallen and Johanson (1989), respectively. IMP1's empirical and theoretical results comprehend a large database of business relationships' features and in-depth case studies, and a conceptual framework referred to as "the interaction approach" (Campbell, 1985; Hakansson, 1982a), respectively.

The interaction approach consubstantiates two basic empirical findings of IMP1. First, industrial purchasing and marketing are not necessarily market transactions (i.e., isolated events of "action" and "reaction," respectively), but are instead part of a lasting pattern of "interactions" between buyers

and sellers (active, both). As Ford (Ford, 1984, 1980) alerts, mainstream views of industrial marketing and purchasing as discrete events are the natural consequence of studies (pertaining to the way firms carry out buying episodes) being conducted independently of inquiries (about how sellers influence buying processes to their advantage). Second, and as a consequence of the first research finding, B2B markets are neither faceless nor atomistic (i.e., featuring a large number of anonymous customers and consisting of unconnected buyers and sellers, respectively), often including close and long-standing business relationships. “Industrial markets are characterized by stability instead of change, long lasting relationships instead of short business transactions and closeness instead of distance” (Hakansson, 1982b, p. 6).

Interdependences (among business relationships) observed in IMP1 serve as thrust for researchers to embark on a second project, the “IMP2” initiated in 1986. Whereas IMP1 focuses on buyer–seller relationships (i.e., dyads), IMP2’s primary units of analysis are the complex networks that such relationships overall form. IMP2 is methodologically similar to IMP1 (with intensive deployment of case research), being carried out by researchers from Australia, Japan, and the United States, besides most of the researchers responsible for undertaking IMP1. IMP2’s main outcomes are a large database of buyer–seller relationships and several in-depth case studies and, most importantly, the “Actors-Resources-Activities (ARA) model” that depicts B2B markets as strongly interwoven networks of actors, resources, and activities (Hakansson, 1989, 1987; Hakansson & Johanson, 1992) – see Section 4.4.2.

3.3. Books and Papers as Main Dissemination Vehicles of MAN Theory

MAN theory is diffused (as well as extended or even criticized and rejected) at large via scientific journals, books and book chapters, and the proceedings of IMP annual conferences.

Analytical and empirical results of qualitative research undertaken by MAN theorists are featured in a multitude of papers, mostly in the industrial marketing field [e.g., *European Journal of Marketing* (EJM), *Industrial Marketing Management* (IMM), *International Journal of Research in Marketing* (IJRM), *International Marketing Review* (IMR), *Journal of Business and Industrial Marketing* (JBIM), *Journal of Business-to-Business Marketing* (JBBM), *Journal of Marketing* (JM), *Journal of Marketing Research* (JMR), *Journal of Marketing Management* (JMM), *Journal of Strategic Marketing* (JSM), *Marketing Theory* (MT), the recently founded

IMP Journal, or the extinct *Industrial Marketing and Purchasing*], but also in the management science area [e.g., *International Business Review* (IBR), *Journal of Business Research* (JBR), *Journal of Management Studies* (JMS), *Management Learning* (ML), *Organization* (O), *Scandinavian Journal of Management* (SJM), or *Strategic Management Journal* (SMJ)].

Nevertheless, the major milestones in the dissemination of MAN theory are the publication of three books: Hakansson's (1982b) formalization of the interaction approach, and Axelsson and Easton's (1992) and Hakansson and Snehota's (1995) comprehensive introductions to MAN theory (and B2B practice). An extensive list of other books and book chapters drawing on or promulgating MAN theory can be identified. On books see, for instance, Dubois (1998), Ford (2002, 1990), Ford et al. (1998), Forsgren & Johanson (1992), Gadde and Hakansson (1993, 2001), Gemunden, Ritter, and Walter (1997), Hakansson (1989, 1987, 1975), Hakansson, Harrison, and Waluszewski (2004), Hakansson and Johanson (2001), Hakansson and Waluszewski (2007), Hallen and Johanson (1989), Havila, Forsgren, and Hakansson (2002), Laage-Hellman (1997), Lundgren (1994), Moller and Wilson (1995), Naude and Turnbull (1998), Turnbull and Cunningham (1981), Turnbull and Paliwoda (1986), and Turnbull and Valla (1986). As illustrative examples of book chapters, check Araujo and Easton (1996), Easton (2000), Ford, McDowell, and Tomkins (1996), Hakansson (1993), Hakansson and Johanson (1988, 1984, 1993b), Hakansson and Snehota (2000), Johanson and Mattsson (1994), and Mattsson (1985, 2004, 1987).

According to McLoughlin and Horan (2002, 2000b), MAN theorists' preference to publish in book format is supported by three motives. First, the thought-provoking nature of MAN theory – that by providing “a new view of reality,” as Axelsson and Easton's (1992) edited book title puts it, challenges the orthodoxy of mainstream purchasing and marketing theories – adds greatly to the usual difficulties of exposing unprecedented ideas in a journal paper format (i.e., overcoming referees' resistance to novelties). Second, books have a slight advantage over journals because they allow the dissemination of knowledge to a wider audience and make possible the generation of dialogues with other disciplines and related theories. Since MAN theory springs from theoretical cross-fertilization, as MAN theorists recognize (e.g., Hakansson & Snehota, 2000; Wilkinson, 2001), it is likely that further cross-fertilization is searched for – and cross-fertilization can be more easily achieved through books. Third, as qualitative research (mostly case studies) is far more employed than quantitative methods (Easton, 1995), research findings are bound to be larger and thus unsuited to publication in the relatively restricted 8,000

(or less) words space of a journal paper. With respect to the predominance of qualitative research undertaken by MAN theorists, Easton (2000) argues for the epistemological validity of case research in the inquiry of business relationships and networks.

3.4. MAN Theory's Largely Positive Orientation

The primary goal of MAN theory is to describe and explain the business relationships and networks in which firms are deeply embedded. The charge of an overly descriptive focus is usually placed on MAN theory, despite its great explanatory power (Moller, 1994; Wensley, 1995). Another limitation commonly pointed to MAN theory is the neglect of the "dark side" of business relationships, given the excessive emphasis on relationship "functions" and "benefits." This limitation is compensated by recent work on the "dysfunctions" and "sacrifices" of business relationships (e.g., see Hakansson & Snehota, 1998).

MAN theory is inductively developed from qualitative research without any kind of prescriptive concern (Brennan & Turnbull, 2002). Hakansson's (1987, p. 210) position is elucidative: "We have met many managers who have been very skilled in their way of handling networks as a result of experience of a life-time spent in networks. As a consequence we will avoid giving detailed advice regarding the practical handling of networks. Instead, we believe that we can be of much more help by identifying and discussing more general network issues. Thus my contribution is rather to integrate known details to a more comprehensive body of knowledge."

The positive orientation of MAN theory stems from two motives. First, MAN theorists share the conviction that to improve the practice of industrial purchasing and marketing, one needs first of all a better understanding of business relationships and networks observed recurrently in B2B markets (Wilkinson & Young, 2002). MAN theorists argue that "good" theory is in principle conducive to "good" practice. Second, the units of analysis of (as well as the sort of research questions posed by) MAN theorists do not lend themselves to the issuance of managerial prescriptions. As Easton and Hakansson (1996) stress, in order to be normative, MAN theory needs to adopt a narrower perspective (e.g., by adopting the firm as object of study).

Another difficulty pertains to the fact that toolkits for relationship and network management are difficult to formulate. Given that diversity is a conspicuous feature of B2B markets (Hakansson & Snehota, 1995), "best"

or “optimal” practices are not likely to apply. “Business researchers can aim to construct tools to help managers to understand their world, not tell them what decisions to take or what to do. Business researchers cannot predict the direction of development of a network, nor forecast the final effects of any network action. (...) [As] networks are built on variety [e.g., of interests, expectations, and goals] (...) the answers to managers’ questions about their interactions will always depend on the specific situation and context. There are no nice neat solutions or standardized approaches to strategic network success” (Hakansson & Ford, 2002, p. 138).

That description is given importance to the disfavor of prescription (Gemunden, 1997) is not tantamount to say that MAN theory is purely descriptive or “managerially empty” (Moller & Halinen, 1999). As Easton (1992) argues, normative implications flow from, but do not drive, MAN theory.

The concern of MAN theorists with managerial guidelines is nevertheless growing since the mid-1990s. For Ritter, Wilkinson, and Johnston (2004), a shift – from understanding business relationships and networks to offering advices on to how manage those intricate interfirm linkages – is taking place within MAN theory. Over the last two decades, an increasing number of works are focused on helping practitioners in relationship and network management tasks (e.g., Ford et al., 1998; Ford & McDowell, 1999; Moller & Svahn, 2003). This normative turn is understandable. Regardless of the phenomenon under study, description necessarily precedes prescription. For prescription per se is useless without some kind of previous understanding: “One cannot choose what course of action to prescribe without knowing what events each course of action will lead to” (Easton & Hakansson, 1996, p. 409).

4. MAN THEORY’S STATE-OF-THE-ART

4.1. Development Process of Business Relationships

The development of any business relationship is a costly and time-consuming process (Hakansson & Snehota, 2000). Business relationships are constantly in need of investments for establishment, development, maintenance, and even termination, thus competing for firms’ limited resources. Easton (1992) lists two other factors that are decisive for developing business relationships: expectations held by both parties concerning the actual or potential value of the business relationship (i.e., whether relationship benefits exceed or are

likely to outweigh related sacrifices), and the existence of complementarity or compatibility between both parties' objectives (namely, whether each party feels confident that the other reciprocates and is not a free-rider). Some degree of "attraction" between parties also enters firms' decision to nurture and sustain a business relationship (Wilkinson, Young, & Freytag, 2005b) – that attraction being a function of firms' "attractiveness" to others. Mattsson (1989) claims that the firm's "attractiveness" depends not only on internal endowments (mostly, corporate resources and competences) but also on corporate propensity to cooperate (deduced somewhat from firm's history of interaction). There is a trade-off between attractiveness and freedom of choice: in order to be attractive, the firm has in part to maintain several business relationships and thus is likely to increase dependence on counterparts. "The company that possesses no relationships is theoretically free to enter into collaboration with anyone at all, but in fact it is difficult to find anyone who is interested. The company that has already entered into a number of relationships will find it much easier to interest a partner, but its choices will be far more limited. (...) In general, established relationships are a vital condition for the initiation of [further] successful collaboration" (Hakansson, 1989, p. 124).

Business relationships evolve over time as reciprocal investments are made by parties and interdependence, and mutual trust and commitment gradually increase. Trust, commitment, and the expectation of future interaction go usually hand in hand: "Trust is a necessary condition for commitment and commitment only makes sense if tomorrow matters" (Hakansson & Snehota, 1995, p. 198). Check, for example, Pressey and Mathews (2004) and Wilson and Mummalaenen (1986), respectively, on trust and commitment in business relationships. Parties' initial reluctance to cooperate is in part related to the uncertainty regarding counterpart's intents and future behavior. The "distance" (of a social, cultural, technological, temporal, or geographical basis) that normally exists between the firm and counterpart at early stages of interaction is likely to be diminished as both parties gradually get to know and trust each other and invest in the development of the business relationship.

Ford (1980) and Dwyer, Schurr, and Oh (1987) propose two models for the relationship development process, according to which business relationships go through a series of stages: the "pre-relationship," "early," "development," "long-term," and "final" stages in the former model; and the "awareness," "exploration," "expansion," "commitment," and "dissolution" stages in the latter model. These relationship development models make an implicit use of the "marriage" metaphor, thus presuming

that business relationships necessarily develop toward an ideal state – “the successful marriage” – characterized by a high degree of cooperation (and a low degree of conflict) between parties. Wilkinson and Young’s (1994) empirical research on more than 600 business relationships offer strong evidences that relationship development does not follow such ideal path – from “poor,” highly competitive business relationships to “good,” totally cooperative ones – as suggested in the above-mentioned “life cycle” models of relationship development. Business relationships may fail to develop and are eventually terminated, owing to persistent “barriers to interaction,” for instance arising from economic, political, social, or cultural features of the countries in which firms operate or deriving from mismatches between parties (in terms of size, organizational culture, objectives, decisions, or actions) or conflicting expectations and behaviors of individuals and groups involved in business relationships (Cunningham, 1982). These barriers, in general transitory, can be removed (e.g., through deepening interpersonal contacts) but always at a cost. Biong, Wathne, and Parvatiyar (1997) offer two other reasons that can account for relationship dissolution: lack of relational orientation and mutual commitment by (or changed requirements of) one or both of parties involved; and a nonpositive relationship value (i.e., relationship sacrifices more than offset, or simply equate benefits), for one if not both of parties. On the termination of business relationships, and its determinants and consequences, see Alajoutsijarvi, Moller, and Tahtinen (2000), Giller and Matear (2001), Gronhaug, Henjesand, & Koveland (1999), Halinen and Tahtinen (2002), Tahtinen and Halinen (2002), Tahtinen and Havila (2004), Tahtinen and Vaaland (2006), Tuusjarvi and Blois (2004), Vaaland (2004), and Vaaland, Haugland, and Purchase (2004).

The development of business relationships in the business world is, therefore, best described, not by resorting to the marriage metaphor, but instead by deploying a “dancing” analogy whereby leading of and following by parties is presumed (Wilkinson & Young, 1994).

4.2. Substance of Business Relationships

Each and every business relationship comprises multiple short-term “interaction episodes” (e.g., face-to-face meetings, negotiations via telephone or email, deliveries, and payments) in which some content is exchanged between buyer and seller (Hakansson, 1982a). Interaction episodes are difficult to delimit in time for each episode’s beginning and end cannot be unambiguously identified even by cooperating firms

(Ford & Hakansson, 2006a). Business relationships allow goods and/or services to be traded for money but also entail mutual exchange of knowledge and social values (i.e., trust and commitment) between parties. Axelrod (1984) advances two necessary conditions for the development and sustainment of business relationships: first, a (largely perceived) history of rewarding and trustworthy cooperation in the past; and second, a large “shadow of the future” (i.e., existence of mutual and converging expectations concerning valuable cooperation in the future). This is not to say that overall structure of business networks (i.e., connected business relationships) do not affect relationship nature (and development) (Ford, Hakansson, & Johanson, 1986).

The “substance” of business relationships includes a set of several characteristics: some that are readily perceptible at first glance, while others can only be discovered after in-depth look (Hakansson & Snehota, 1995). Perceptible, so-called “structural” characteristics – namely “informality,” “continuity,” “symmetry,” and “complexity” – give business relationships a sense of stability. Yet when looked at more carefully, business relationships turn out to be quite dynamic. The “process” features of business relationships are “adaptations,” “coopetition,” “social interaction,” and “routinization.” Business relationships are stable but not completely static phenomena (Easton, 1992).

4.2.1. Structural Features

4.2.1.1. Informality. Like other forms of cooperation, interfirm cooperation does not require formal agreements between parties, with a large shadow of the future (for both firms) being sufficient. Business relationships are not in general governed by legal contracts, relying instead on implicit self-enforcement mechanisms – such as trust, commitment, and mutuality (Hakansson & Johanson, 1988) – or at the very least, exhibiting a low degree of formalization. As Macneil (1978) warns, formal contracts are unlikely to be effective in coping with the conflicts and uncertainties necessarily arising between both parties over time. The informality commonly present in business relationships in fact contributes to the continuity of those vertical cooperative linkages.

4.2.1.2. Continuity. Business relationships are long-lasting phenomena of the business, often developed and maintained over more than 10 years (Johanson & Hallen, 1989), and built on intricate patterns of interpersonal contacts and social liaisons permeating several functions and hierarchical levels in both parties involved (Cunningham & Turnbull, 1982).

4.2.1.3. Symmetry. Business relationships are (more or less) symmetrical in terms of both parties' initiative and interest to develop and sustain that interfirm cooperation. Despite the symmetry of initiatives and interests, business relationships are often asymmetrical with respect to power and dependence issues. One knows that dependence is inversely associated with possession of power (Emerson, 1962), for the greater the power that the firm has in the business network, the less the firm is likely to depend on others with which maintains business relationships. "The dependencies may be mutual, but are not necessarily so; in general, it may be assumed that they are more or less asymmetrical in the sense that one party is more dependent on the relationship than the other" (Johanson & Mattsson, 1987, p. 39). Inasmuch as some firms are more "powerful" than others (e.g., owing to possession of valuable resources and competences or holding a dominant network position), asymmetries characterize business relationships – for instance, explaining why relationship benefits are unevenly distributed between cooperative parties. Yet business relationships can never be unilaterally dominated by one of parties, no matter how great that party's power is and no matter how great control or influence that party exerts over the other (Hakansson & Snehota, 1995).

4.2.1.4. Complexity. The complex nature of business relationships derives from the number of individuals and groups involved in contact patterns between firms (and the diverse and potentially conflicting roles, statuses, expectations, interests, intents, perceptions, and interpretations of those individuals and groups), and most importantly, from the different functions that business relationships can perform for both parties involved (e.g., to access and exploration external resources and competences).

4.2.2. Process Features

4.2.2.1. Adaptations. Adaptations are relationship-specific investments made by two cooperative parties over time in order to achieve fit to one another (Brennan & Canning, 2002; Brennan & Turnbull, 1998, 1999). Firms adjust products, production processes, scheduling routines, administrative procedures, and payment systems toward one another, strengthening interdependence and generating mutual trust and commitment, thus permitting easier resolution of potential conflicts arising within business relationships. Given the extent of adaptations effected, the firm becomes increasingly "particularized" to counterpart and vice versa – so-called "particularity" feature of interaction (Ford et al., 1986).

Many adaptations are effected in an unplanned way, being largely invisible to (and, as a result, seldom monitored by) firms' top management. Adaptations are usually known only by personnel directly involved in the management of business relationships, namely of marketing and purchasing departments. Adaptations emerge *ad hoc* so that firms may cope with issues arising as business relationships develop over time; notwithstanding, adaptations can be subject to *ex post* formalization if contractually agreed by parties (Ford, 1980). Although mutual adaptations are the rule in business relationships, adaptations can be on occasion unilateral (e.g., the firm is forced to acquire a new supply IT platform in response to the pressure of a powerful supplier). While one is prone to claim that unilateral adaptations by each of parties often precede mutual adaptations, Hallen, Johanson, and Seyed-Mohamed (1991, p. 34) alert to the difficulty of clearly identifying that each of these two kinds of adaptations is not without reason: "Partly the adaptations are made unilaterally as a consequence of imbalance in the interfirm power relation, and partly the adaptations are reciprocal demonstrations of commitment and trust in the relationship."

One needs to note that adaptations are necessarily interrelated to some extent since business relationships compete for the limited resources of both parties. For instance, adaptation in one business relationship may imply "maladaptation" in another, connected business relationship (Ritter, 1999). For the often substantial amounts of money and time devoted by parties to a specific business relationship are unlikely to be transferred to other relationships – that is, have low or zero value in alternative uses, that is, sunk costs – and are therefore likely to involve considerable opportunity costs for firms.

4.2.2.2. Coopetition. Inasmuch as firms have common and conflicting interests, coopetition thrives within business relationships (Bengtsson & Kock, 2000; Nalebuff & Brandenburger, 1996). Richardson (1972, p. 895) is probably the first to stress that competition and cooperation coexist within business relationships. "I have sought to stress the co-operative element in business relations but by no means take the view that where there is co-operation, competition is no more."

Easton and Araujo (1992) attempt to describe the different degrees to which diametrically different "logics" of interaction (namely cooperation and competition) can be found simultaneously in the "atmosphere" of business relationships, by hypothesizing five stages of a "corelation" dimension: "conflict" (i.e., both parties merely seek to destroy one another), "competition" (i.e., each party only aspires to remain ahead of the other,

taken as a rival), “coexistence” (i.e., parties are unaware of each other’s existence or if aware, choose not to compete), “cooperation” (i.e., both parties collaborate in order to attain common or compatible goals), and “collusion” (i.e., parties agree to cooperate with the purpose of damaging others’ welfare, e.g., of customers or common competitors). These five stages give support to the heterogeneity of business relationships – that exhibit cooperation, but also feature coexistence, conflict, or even collusion to diverse extents.

4.2.2.3. Social Interaction. Business relationships entail prominently extensive social contacts between individuals and groups of both parties. Hakansson and Snehota (1995, p. 10) stress eloquently the social nature of business relationships: “Machine-like relationships do not exist.” Through individual and groups bonds, “(...) information is exchanged, adaptations are agreed, negotiations are performed, [and] crises are overcome (...)” (Turnbull et al., 1996, p. 57). Interpersonal bonds that firms’ members establish, develop, and sustain over time make business relationships capable of withstanding disruptive forces (e.g., a short episode of opportunistic behavior by a counterpart) (Easton & Araujo, 1986; Wilson & Mummalaenen, 1986). In Hirschman’s (1970) terminology, one may say that parties usually prefer “voice” to “exit” – the former option being a better conflict-resolution mechanism than the latter, which is neither easy nor costless. Business relationships display mutual orientation inasmuch as both parties have mutual knowledge of, and respect for each others’ strategies, interests, ambitions, and the like and are willing to refrain in part self-interest (and fall short of attaining own goals) in order to pursue common or compatible objectives (Ford et al., 1986). Mutuality or “jointness” helps to counterbalance the conflict of interests inevitably arising between parties (Ford & Hakansson, 2006a).

Multiplex interpersonal contacts between firms over time are responsible for developing the atmosphere of business relationships, an atmosphere framing all interfirm interactions. “This atmosphere can be described in terms of the power-dependence relationship which exists between the companies, the state of conflict or cooperation and overall closeness or distance of the relationship as well as by the companies’ mutual expectations” (Hakansson, 1982a, p. 21). The development of business relationships is strongly dependent on the respective atmosphere, that is to say, the intensity and width of parties’ interpersonal contacts.

4.2.2.4. Routinization. The routinization of interaction episodes over time leads to the development of expectations about the roles that each party expects the other to perform – a long-term process known as “institutionalization” (Ford et al., 1986). Rights and duties of both parties become informally institutionalized (i.e., self-policing and self-enforcing), somewhat materialized in norms of proper conduct. Institutionalization, however, is not without problems. On occasion routine patterns of operation give the wrong impression that parties are less committed to each other, as each evolving needs and requirements are not being continually attended to (Ford, 1980). In these cases, mutual commitment (despite being eventually at a maximum) is perceived by both parties to be minimal – with potential effects on each party’s future behavior and consequently input into the business relationship.

4.3. Role of Business Relationships

One is likely to find at the root of business relationships a “what can you do for me? what can I do for you?” kind of reasoning (Ford et al., 1986). By means of a business relationship, both parties are able to obtain “something” that would or could not obtain alone or at a reasonable cost or timely, and that is to some extent worthwhile – something that resembles Alchian and Demsetz’s (1972) “team effects.” But what propels the firm and the counterpart into a business relationship? Or, as Ford et al. (1998) put it, what can parties offer to as well as demand from each other?

The role of business relationships is strongly dependent on relationship nature (Blankenburg-Holm, Eriksson, & Johanson, 1999; Naude & Buttle, 2000; Walter & Ritter, 2003). That is, only “substantial” business relationships (entailing high degrees of mutual trust, commitment, adaptations, and interdependence) are likely to generate more positive than negative outcomes for the firm. This is not to say that the role of a business relationship has no effect on its nature (see, e.g., Ulaga & Eggert, 2006; Walter, Muller, Helfert, & Ritter, 2003; Walter, Ritter, & Gemunden, 2001). One expects that a mutually rewarding business relationship is continually nurtured and sustained by both parties, that is, relationship nature is contingent on relationship role. The nature and role of business relationships change over time owing to: first, firm’s internal change or of counterpart; second, shared initiative of parties; or finally, change taking

place elsewhere, for instance, in supplier's suppliers or within indirectly connected business relationships (Hakansson & Snehota, 1995).

Business relationships are established, developed, and maintained largely owing to rewarding "functions" that perform presently (or are likely to perform in the future) and the positive outcomes (i.e., "benefits") that are appropriated by both parties. Nevertheless, relationship "dysfunctions" or "nonfunctions" are often performed and thus some negative outcomes (i.e., "sacrifices") invariably ensue to both parties.

4.3.1. Relationship Functions, Dysfunctions, Benefits, and Sacrifices

A certain business relationship can perform, at a given point in time, more than one function for the firm. That same business relationship is likely to perform different functions over time and similar relationship functions can be performed in different business relationships of the firm. Relationship functions can be of two types: "primary" or "secondary." Primary functions bring about relationship benefits and sacrifices that are immediately obtained by the firm and/or ensue independently of connected business relationships or counterparts; secondary functions, on the other hand, generate relationship benefits and sacrifices only in the future and/or depending on connected business relationships or counterparts, respectively (Hakansson & Johanson, 1993a). Secondary relationship functions can be as important to the firm as primary ones (Anderson, Hakansson, & Johanson, 1994). This argument is corroborated by Hakansson and Snehota (1995) who claim that business relationships accomplish functions not only for each and both of the parties involved, but also for other firms directly and indirectly connected to the former.

Relationship dysfunctions pertain to the fact that the business relationship does not perform (some or all) functions expected or desired by the firm and/or precludes the performance of expected or desired functions in other, connected business relationships.

Relationship benefits include all the positive outcomes accruing to the firm from the performance of any of relationship functions (Anderson et al., 1994). Relationship sacrifices encompass both the costs incurred by the firm and the deleterious outcomes that necessarily result from being involved in business relationships. Relationship benefits and sacrifices are not unconnected: benefits are not obtained automatically, easily or for free, being partly dependent on sacrifices (Gadde & Snehota, 2000). Relationship outcomes, namely benefits and sacrifices, can neither be totally predicted *ex ante* nor fully quantified *ex post* by the firm. "Some [relationship] consequences are quite easy to exposure, measure and quantify; others are

less obvious, more indirect and more difficult to measure, but no less important” (Gadde & Snehota, 2000, p. 307). Diverse benefits and sacrifices are typically expected in different business relationships (Wiley, Wilkinson, & Young, 2006). The division of benefits and sacrifices between parties is not necessarily equitable, depending, for instance, on what is contractually agreed by or the relative power of the parties involved.

Relationship benefits are usually weighted against the sacrifices (mostly costs) needed to attain the former (Hakansson & Snehota, 1995). The firm is able to appropriate “relationship value” whenever relationship benefits exceed sacrifices (Anderson, 1995; Blois, 2004, 1999, 2003; Wilson & Jantrania, 1994). Relationship benefits and sacrifices can also be compared to the “comparison level” (CL) and/or to the “comparison level for alternatives” (CL_{alt}), that is, expected relationship benefits and sacrifices (by taking into account the firm’s experience with similar business relationships in the past) and benefits and sacrifices potentially available in next-best substitute business relationships, respectively, (Anderson et al., 1994); and benefits and sacrifices potentially obtainable in alternative governance structures such as hierarchies and markets, that is, if the firm decides to vertically integrate, or instead engage in arm’s-length relations with counterparts, respectively (Zajac & Olsen, 1993). See Sousa and Castro (this volume) on a sixfold list of relationship functions and dysfunctions, and related benefits and sacrifices.

4.4. The Network View of the Business World

4.4.1. Generalized Connectedness

One of the basic claims of MAN theory is that B2B markets are not completely atomistic and faceless, for firms do establish, develop, and maintain business relationships with one another. MAN theorists argue thus for both the interrelatedness or embeddedness of firms and the “generalized connectedness” of business relationships (Blankenburg-Holm & Johanson, 1992; Ritter, 2000).

The firm’s survival and growth is influenced by and influences to a large degree the survival and growth of counterparts – so-called “coevolution” feature of business networks (Ford et al., 1998). Relationship connectedness implies that what happens within each business relationship affects and is affected by what happens within other business relationships with which the former is (directly or indirectly, positively or negatively) connected to. Business relationships can be indirectly connected (e.g., when two business

relationships' connection is mediated by a third business relationship) or positively or negatively connected (e.g., when interaction in one business relationship is dependent upon the existence or absence of interaction in other business relationships).

4.4.2. Networks' Structure and Development

Owing to the notorious connectedness of business relationships, B2B markets are frequently referred to as "industrial systems" or "industrial networks," thus depicted as intricate networks composed essentially of a myriad of "actor bonds," "resource ties," and "activity links" – the three "substance layers" of business relationships postulated in the ARA Model (Hakansson & Johanson, 1992). The ARA model draws upon Cyert and March's (1963) behavioral theory (e.g., assuming the bounded rationality of actors) while retaining strong Penrose (1959) and Richardson (1972) flavors on corporate resources and activities, respectively. In ARA's model main assumptions are (Hakansson, 1989, 1987) as follows: actors (namely, firms as a whole or individuals, groups, and departments within firms or even groups of firms) perform activities via deployment of directly and/or indirectly controlled resources (i.e., resources owned by the actor and/or resources accessed and explored via business relationships with other actors, respectively); all three substance layers of business relationships are interrelated, for instance, by strengthening actor bonds one obtains both stronger activity links and resource ties, or vice versa; and firms are "collective, purposeful actors," "resource collections," and "activity structures" deeply embedded in networks, which are in turn "webs of actors," "resource constellations," and "activity chains."

Business networks are likely to display four prominent features (Hakansson & Johanson, 1988, 1993b): first, business networks are not designed by a single firm and imposed on others, being instead formed and modified through multiplex interaction among firms; second, business networks are opaque for firms have unclear (and not necessarily similar) views of own and of others' actor bonds, resource ties, and activity links, that is to say, of the network's overall structure; third, business networks do not have a center, for instance, a firm serving as a network captain or hub; and fourth, business networks do not have clearly defined boundaries (for network boundaries are arbitrary, e.g., drawn in accord to focal actor, technology, country, or product type) – in fact, business networks are unbounded as can extend without limits given the connectedness of business relationships.

Business networks are elaborate structures wherein stability coexists with change. Within business networks, patterns of “structuring” and “hierarchization” (i.e., stability) are counterbalanced by waves of “heterogenizing” and “externalization” (i.e., change). Hakansson (1992) describes these network processes as follows: structuring as the improved use of known resource dimensions; heterogenizing as the exploration of new resource dimensions or use of known dimensions in novel ways; hierarchization as the increase in control over resources; and externalization (or “extrication”) as the decrease in resources’ control.

Stability in business networks results from the institutionalization taking place within business relationships through which reciprocal norms of conduct are agreed by parties (review Section 4.2.2.4). Stability – sometimes even inertia – is also a consequence of the (usually high) costs of change faced by firms within business relationships (e.g., switching costs involved in the termination of the firm’s business relationship with supplier A and the initiation of a new business relationship with supplier B). “Because [business] relationships are *substantial*, they are not easy to change quickly and changes are likely to incur significant costs, both in disruption and in developing new relationships. This tends to make business markets rather stable.” (Ford et al., 1998, p. 43, emphasis in original). Facilitating or blocking a network change is always costly and typically requires the mobilization of other firms and of corporate resources (Lundgren, 1992). Unless mobilizes other firms and resources (through business relationships), the firm will face enormous costs of change and inertia is bound to prevail – the “heaviness” of the network (Hakansson & Ford, 2002).

The stability of networks, however, is only apparent insofar as incessant change takes place both within firms and business relationships. Stability is a prerequisite to change – stability (e.g., in actor bonds) reduces the uncertainties of firms, thereby increasing corporate propensity to participate actively in the production and promotion of change (Lundgren, 1992). Change, in turn, is vital for stability. For instance, a change in certain activity links at a given point in time can be crucial for the stability of some actor bonds in the future.

Network change is usually incremental and strongly related to the past, that is, path-dependent (Araujo & Harrison, 2002; Hakansson & Waluszewski, 2002), though on occasion can be of a disruptive or revolutionary kind. Connectedness of business relationships implies that any change – occurring at firm or relationship levels – is propagated in a nondeterministic chain effect throughout the business network (Hertz, 1998). Propagation of network change does not ensue in a preordered way

(e.g., as determined by a powerful firm) or can be absorbed or reflected instead of being transmitted to others. For Easton and Lundgren (1992), firms are both sources and recipients of network change and business networks are sets of “nodes” through which change flows somehow (is reflected, adapted to, absorbed, transmitted, or transformed). One can thus identify five alternative propagation modes for network change: “reflection” (i.e., change initiated by the firm is nullified or reflected by counterparts), “adaptation” (i.e., change remains only within a certain dyad, thus does not affect other firms or business relationships, being modified through bilateral negotiations), “absorption” (i.e., the firm “incorporates” the change only within boundaries, not transmitting it to others), “transmission” (i.e., the firm transmits the received change with minimal or no modifications to the rest of the network), and “transmutation” (i.e., the firm “transforms” the change and then propagates it to other firms). The firm’s behavior toward a certain network change (e.g., reflecting or absorbing it) differs according to the degree to which the change relates to firm’s interests and ambitions and the atmosphere of the business relationship that the firm has with the initiator of that change. Business networks are composed of different types of nodes, therefore reflecting, adapting to, absorbing, transmitting, and transforming network change. The existence of only one type of nodes (e.g., reflecting or transforming ones) would make business networks either totally unchangeable or very unstable. Business networks are neither fixed nor chaotic structures (Wilkinson & Young, 2002).

4.4.3. Managing in Business Networks

Business networks are coproduced, self-organizing, and adaptive systems wherein cooperation predominates despite corporate power being unevenly distributed among firms (Wilkinson & Young, 2002). Business networks are characterized by the prevalence of “political” processes by which firms strive with one another and seek support for own interests and objectives. All firms have limited control over counterparts and consequently no single firm controls unilaterally the business network – despite multiple attempts of each of firms in order to increase control over the business network. Business networks thus feature a fierce struggle for network control, a struggle that takes place not only between firms but also within firms – for multiple actors exist at different organizational levels. “Network control is reached through control over resources and/or activities. Increased control over resources is a matter of increasing the control of resources directly, of increasing the indirect control over other resources via relationships, and

of reducing indirect control [of resources] by other actors through relationships, that is increasing autonomy. Control of activities is a matter of control over resources and [possession of] knowledge” (Hakansson & Johanson, 1992, p. 29). An increase in the firm’s network control is in general achieved at the expense of other firms’ network control but that needs not be always the case. Indeed “(...) the increased control of one actor may (...) lead to an increased control of some other actors in the network” (Hakansson & Johanson, 1992, p. 30). One should not confuse the “lobbying” actions of firms (to increase network power) with the influence of political entities on the establishment, development, and sustainment of business relationships and networks (see, e.g., Hadjikhani, 2000; Hadjikhani & Hakansson, 1996; Hadjikhani & Sharma, 1999; Welch & Wilkinson, 2004 on the latter).

The evolution of business networks is continually shaped by a collective networking process beyond any firm’s power or intents. Business networks evolve as multiple interfirm interactions take place over time. Network (macro) order is determined by innumerable dyadic (micro) interactions (Wilkinson & Young, 2002). No firm or coalition of firms can alone influence that undirected process of network evolution to own advantage. “No-one manages the network, but many have to try to manage in it” (Ford et al., 1998, p. 270, emphasis in original). Each firm is but one of many actors having partial influence on both the structure and functioning of business networks. Total control over a business network would render it a extremely large hierarchy (i.e., a firm), probably inflexible and less responsive to change initiated elsewhere (Hakansson & Ford, 2002).

Operating in business networks (i.e., networking) is not a straightforward task for firms, as entails “(...) initiating and responding, acting and reacting, leading and following, influencing and being influenced, planning and (...) improvising, forcing and adapting” (Ritter et al., 2004, p. 178). Networking requires simultaneously the combination of cooperation and conflict and the pursuit of self and mutual interests. As Ford et al. (1998, p. 1, emphasis in original) say, networking is about “(...) working *with* other companies, but it also involves working *against* them, *through* them and often *in spite* of them.” For Hakansson and Ford (2002), networking pertains to coping with three paradoxes intrinsic to the structure of business networks, namely: exploring multiple opportunities while avoiding or minimizing unavoidable threats, influencing and being influenced by counterparts, and increasing and losing control over the business network. Ford, Gadde, Hakansson, and Snehota (2002) elaborate on these three networking tasks, contending that the firm needs to confront or conform to

the prevailing status quo in the network; consolidate existing or create new network positions; and coerce or concede to counterparts' goals and intents, respectively.

4.4.4. The Embedded Firm's Context and Boundaries

Empirical studies of MAN theorists demonstrate that the firm is not an isolated and totally independent entity operating in atomistic and faceless markets, by exchanging with counterparts only at arm's-length distance. The "real" firm is semi-autonomous, being deeply embedded in a variegated texture of interdependences, mostly of an economic, social, and technical kind. The firm itself, as some MAN theorists recognize (e.g., Ritter et al., 2004), is but a network of internal relationships (across diverse hierarchical levels, departments, or functions) somewhat purposefully designed to bring about goods or services (Krackhart & Hanson, 1993).

The firm is endowed with only limited resources and competences, thus being in need of external (often complementary) resources and competences for survival and growth. Corporate heterogeneity is both result of and cause for firms' embeddedness (Dubois & Torvatn, 2002; Hakansson & Snehota, 1989). Whereas some resources and competences are internally developed by the firm, other resources and competences are acquired or accessed and explored through cooperation. The resource and competence base of the firm can be enlarged (or reduced) via purely transactional relations and business relationships with counterparts, respectively. As Ford et al. (1986) note, the firm is not a unilateral "decision-maker" and "resource controller." Instead of being a mere "production function," the firm is effectively an "interaction-oriented" unit (Hakansson & Snehota, 1989).

The firm does not operate only in a fully hostile and uncontrollable environment somewhere "out there" and comprising a large number of forces (e.g., of political, economical, technological, and social kinds) that exert a strong influence on corporate survival and growth. Besides this broad and faceless environment (that lasts independently of the firm), one needs to acknowledge the existence of a "context" (Hakansson & Snehota, 1989) – or "an interacted environment," as some MAN theorists call it (Ford et al., 1986). The firm is surrounded by a context, that is to say, a finite set of distinct yet clearly identifiable counterparts with which establishes, develops, maintains, and terminates diverse linkages over time – suppliers, customers, suppliers' suppliers, customers' customers, competitors, and so forth. Each context is unique, being co-created and shaped to some extent by the firm and each and every of counterparts – two firms'

contexts, however, can be partly overlapped (for instance, supplier A and customer B are both a part of the contexts of the firm and of counterpart C).

Corporate boundaries – in particular vertical boundaries, separating the firm upward from suppliers and downward from customers – are usually drawn by the hierarchical control of resources and competences. Ownership defined by property rights unambiguously delimitates vertical corporate boundaries (Hart & Moore, 1990). A clear-cut dividing line thus separates the firm from whatever surrounds it (for the most part, an environment). The firm-environment dividing line is one of “cooperation-competition”: cooperation only taking place within the firm, and competition only occurring outside it. Two reasons allow one to call into question the realism of such atomistic view: though cooperative efforts abound within the firm, intrafirm political struggles are also frequently witnessed (e.g., Mintzberg, 1985; Pettigrew, 1973), and cooperation necessarily thrives outside the firm (for instance, in the multiple business relationships that the firm and competitors develop and maintain with common suppliers and customers).

The firm is not a completely autonomous and clearly bounded entity surrounded by a wider environment over which has in general no influence. On the contrary, the firm is a networked entity without rigid vertical boundaries for is “constituted” to a large degree by the resources and competences owned by all the counterparts existing in context (Hakansson & Snehota, 1995). Corporate vertical boundaries are not fixed once and for all, being instead blurred (owing to the great importance of external resources and competences) and changeable (for those boundaries are continually shaped via the firm’s interaction with counterparts).

Some MAN theorists go even further by claiming that the firm is “boundaryless” (e.g., Hakansson & Snehota, 1989). Resources and competences, both internal and external, are critical to the firm’s survival and growth. The borderline between internal and external resources and competences is increasingly fuzzy given the amount and extent of prevailing firms’ interdependences. Internally owned resources and competences are in part out of the firm’s control, while external resources and competences (accessed and explored through business relationships) are partly subject to the firm’s control.

The firm holds a particular position in the network (e.g., central or peripheral) – though often is said to occupy several network positions according to diverse vantage points adopted, for instance, by an outside observer or network actor. Network positions result from lengthy, costly, cumulative, and interdependent investment processes (Mattsson, 1989) and are interrelated to diverse extents – not only a change in a firm’s network

position is likely to have repercussions on the network positions of counterparts but also the firm's network positions (past and current) restrict as well as offer possibilities for developing network positions and new business relationships in the future. A network position is defined by the several business relationships maintained (and the nature of these relationships and the network position of counterparts), setting limits on the firm's behavior and enforcing rights and obligations in the network both at present and in the future (Henders, 1992) and providing the firm with a peculiar "network identity" and "network theory" as well as narrowing "network pictures" within or beyond the firm's "network horizon."

The firm has an identity of its own in the business network in which it is embedded. Network identity is developed through interaction with counterparts and "(...) refers to the views – both inside and outside the firm – about the firm's role and position in relation to other firms in the industrial network" (Hakansson & Johanson, 1988, p. 373). Alternatively, Anderson et al. (1994) take network identity as the perceived attractiveness (or "repulsiveness") of the firm as a business partner, that perception being of the firm itself and of other firms (i.e., actual and potential counterparts).

The firm's network theory draws to a large extent upon information channeled through business relationships and comprises corporate perceptions, expectations, and intentions regarding existing and potential business relationships (Mattsson & Johanson, 1992). Network theory can be used to influence the network theories of counterparts (e.g., by changing counterparts' perceptions about whether, and to what extent certain business relationships are complementary or rival), or to create a new or redefine the prevailing dominant network theory (shared to some degree by all firms in a business network). Network theory influences to some extent the firm's and counterparts' decisions and actions in business networks.

The firm has but a limited knowledge of the surrounding business network in which it is deeply embedded. This limited knowledge is accounted for by the network positions and consequent network horizon of the firm, both of which are likely to change over time. Moller and Halinen (1999, p. 417) emphasize that knowledge generation about business networks is problematic for the firm, while claiming that in-depth knowledge can only be generated by taking part of the business network, that is, by having business relationships with (knowledgeable) counterparts. Nevertheless, the firm is able to "make sense of" the business network via network pictures subjectively devised by managers (Ford & Redwood, 2005). Network pictures are usually pictorial (more or less "realistic") representations of the firm's immediate context and of what is beyond the

firm's network horizon (i.e., the "visible" or "known" part of the overall network) and constitute an important input in the decision making underlying the firm's networking processes (Henneberg, Mouzas, & Naude, 2006). Richer network pictures are necessarily narrow, addressing the firm's network horizon and context in detail. Multiple network pictures can be found within the firm, whereas overlaps between the network pictures of multiple firms are also common.

Network horizon pertains to "(...) the part of the network that a firm is aware of and thereby can take into account" (Holmen & Pedersen, 2003, p. 409). The firm is necessarily myopic and thus its network horizon is more or less narrow. The firm's network horizon is capable of being extended or diminished, with the increase or decrease in the firm's experience in the business network (e.g., by reinforcing existing or developing new actor bonds, resource ties, and activity links). Although the network horizon is often mingled with that of network context – for instance, "[t]he part of the network within the horizon that the actor considers relevant is the actor's network context (...)" (Anderson et al., 1994, p. 4) – one can argue that network context can include several counterparts of which the firm is unaware of but which affect it in some way. That is, the firm's context is far more comprehensive than its network horizon (i.e., the counterparts and business relationships that the firm knows about or merely acknowledges).

In order to operate effectively in its network context, the firm makes use of "indirect" or "relational" or "network competences" (Ritter & Gemunden, 2003b). These competences are found within all firms to a greater or lesser degree, and can be divided into "relationship-specific" (i.e., dyadic) and "cross-relational" (i.e., "portfolio" and "net") competences (Ritter, 1999). That is to say, network competences are deployed at different levels, enabling the firm to manage: each of business relationships in isolation (and their constitutive interaction episodes), and the portfolio or net of business relationships (i.e., only the firm's business relationships that are similar, typically supplier and customer relationship portfolios, or all of the business relationships in which the firm is directly involved in, respectively) (Ritter & Gemunden, 2003a).

Moller and Halinen (1999) argue for the existence of four types of network competences: "relationship management competences" to establish, develop, maintain, and terminate each of the firm's business relationships, thus helping to build, protect, or alter positions in the network; "portfolio management competences" to manage (suboptimally) supplier and customer portfolios of the firm; "net management competences" in order to mobilize counterparts (e.g., to promote a desired network change);

and “network visioning competences” that permit the firm to develop valid knowledge of the business network’s composition and evolution (i.e., by constructing and revising network pictures), hence possibly extending the firm’s network horizon and contributing to the continuous upgrading of the firm’s network theory and the reinforcement (or change) of its network identity.

Network competences, like any other competences of the firm, erode over time. So, network competences need to be nurtured by the firm, for instance, through investments on internal resources specifically devoted to the management of business relationships (e.g., up-to-date IT, highly qualified marketing personnel), or continuous efforts in the open-mindedness of organizational culture (e.g., promoting empowerment and informality in work liaisons) (Ritter, 1999).

4.4.5. Strategizing in Business Networks

Mainstream theories of strategic management – for example, the “resource-based view of the firm” (Barney, 1991; Wernerfelt, 1984) or the “industry and competitive analysis” (Porter, 1985, 1980) – depict strategy [intuitively referred to as “a plan,” often of a formal nature, that is to say, a detailed listing of objectives and akin courses of action set to achieve the former (Chandler, 1962)] as an important part of the general manager’s or chief executive officer’s toolkit, to deploy at will with the primary aim of improving the financial performance of the firm (or of corporate businesses) and consequently enhance the likelihood of corporate survival or growth.

Strategy, one argues, revolves around the “most important” decisions regarding “(...) the nature of the business in which a company is to engage and the kind of company it is to be” (Learned, Christensen, Andrews, & Guth, 1965, p. 9). The anatomy of corporate strategy (as part of individual and collective commitments to the firm’s present and future) is tentatively set out: “As the [evolving] outcome of the [never-ending and shared strategy-making] decision process [presided over by executives] (...), corporate strategy is the pattern of decisions in a company that (1) shapes and reveals its [long-term] objectives, purposes, or goals, (2) produces the principal policies and plans for achieving these goals, and (3) defines the business the company intends to be in and the kind of economic and human organization it intends to be” (Learned et al., 1965, p. 125).

Strategy as such articulated, meticulous plan results from a long-range or strategic planning endeavor, that is, a time-consuming and carefully devised analysis that normally includes market research, competitive intelligence, and environmental surveillance. Top management devises a plan (or a plot)

that is capable of dealing with the expected trends in customers, competitors, and environmental forces and, most importantly, with the potential impact of those entities and forces on the firm. A stated strategy necessarily includes clear, long-term goals and objectives (e.g., reputation and market share, respectively) and the timed actions by which these goals and objectives are to be attained. Inasmuch as strategy is explicit, it conveys “(...) both what the company is trying to achieve and how it hopes to achieve it” (Christensen, Berg, Salter, & Stevenson, 1951, p. 20). All in all, corporate strategy is clearly rooted in means–ends relations, with the ends being reduced to cut-throat competition of chosen products in selected markets (Ansoff, 1965).

Strategy must be formulated in a way that “fits” the uniqueness of the firm regarding its environment; internal resources; managers’ preferences and beliefs; and corporate–social responsibility (Uyterhoeven, Ackerman, & Rosenblum, 1973). That is to say, strategy ought to be tailored to the predicted evolution of opportunities and threats (e.g., posed by political, economic, social, technological, and other environmental forces as well as by the moves of competitors); to take advantage of the firm’s strengths and mitigate its weaknesses, *vis-à-vis* those of rivals; to account for the individual idiosyncrasies (e.g., education, risk-taking propensity, ethical standards, religious and political orthodoxies) shaping the firm’s purposes, decision making, and conduct; and to provide what society as a whole expects from it, beyond the pursuit of merely economic targets (e.g., profit maximization within the law). Corporate strategy thus results from matching what the firm might do with what the firm can do, while being influenced or constrained, to varying extents, by both what the firm wants to do and what the firm should do. In short, opportunities and threats, strengths and weaknesses, managerial values and ideals, and ethical or moral standards and social obligations all impose, to varying extents, restrictions upon the strategy to develop and adopt by the firm.

After strategy formulation, implementation follows suit. The general manager is to make sure that that implementation is successfully carried out, a task which is affected by the following: first, the kind and extent of leadership effected (and thus the capacity to elicit individual and group cooperation and commitment to proposed targets within ethical customs and other limits imposed to discretion, in spite of diverse interests and expectations); second, the firm’s organizational structure (materialized in the formal authority lines, communication channels, hierarchical levels, and degree of empowerment, as well as the informal workings, arrangements, and relationships prevailing); third, the information and performance

evaluation and reward systems (ensuring that information is readily available as input to a sound decision making and that both fair and logical compensation or punishment ensue in accord with demonstrated efforts and results and that monetary and immaterial incentives for future performance are also provided); and fourth, the allocation of existing and future resources (i.e., how, by whom, for how long, and why are resources to be employed within the firm in the pursuit of declared targets).

This stance of strategy (as a tool at the firm's disposal that enables it to adapt to a faceless, fully competitive, and uncontrollable environment) configures the so-called "strategy as fit" view, that is to say, that strategy allows the continuous match of the firm to the set of changing environmental forces that affect it largely and over which it has no control or influence (e.g., political, economic, social, and technological ones). The firm searches a never-ending alignment between environmental opportunities and threats and corporate strengths and weaknesses (Andrews, 1971). Thus there exists an environment-led fit and the firm only displays reactivity (if not mere passivity), reacting to (or standing still when in face of) external changes. In a nutshell, strategy is a means to an end, intentionally devised via formal planning systems (often at the responsibility of the top management team) and implemented at will by the firm, through the deployment of internally developed and/or acquired resources (Ackoff, 1970).

Reigning orthodoxy among strategy scholars and researchers portrays the firm – the main unit of analysis in strategic management's research – as a self-sufficient entity obsessed with the obtainment and renewal of sustained competitive advantages, that is, some sort of lasting advantages over direct rivals (Christensen, 2001; Porter, 1987). The firm is an "autarchy" solely focused on outmaneuvering fierce competitors (e.g., via cost leadership or differentiation) in an industry characterized by intensive rivalry, wherein even suppliers and customers are threatening forces that need to be cope with (Porter, 1979). In order to survive and grow in such cut-throat competition, the firm has to strive for a fit with its surrounding, composed of a large number of (macro) environmental forces (e.g., political, legal, economic, social, demographical, and technological ones). As Axelsson (1992a) claims, the "dominant" perspective depicts the firm as atomistic, struggling for survival in a hostile environment. Axelsson (1992a) identifies two other perspectives on the strategic management field: the "emerging" and the "missing" perspectives that acknowledge, respectively, the existence of pockets of interfirm cooperation (e.g., dyads, triads, and nets) (Astley, 1984; Astley & Fombrun, 1985) and the ubiquity of vertical cooperative

relationships between firms in the business world (Axelsson & Easton, 1992; Hakansson & Snehota, 1995).

Bearing in mind the prevalence of interfirm cooperation in the business world (Blois, 1972; Richardson, 1972) and, therefore, the notorious embeddedness of the firm (Ben-Porath, 1980; Granovetter, 1985), some scholars and researchers begin to challenge the above-mentioned dominant (yet unrealistic) perspective on strategy by making contributions on a “relational” view of corporate strategy – a view that is in line with the works of Hakansson and Snehota (2006, 1989), Normann and Ramirez (1993), Wilkinson and Young (1994), Juttner and Schlange (1996), Ford et al. (1998), Tikkanen and Halinen (2003), Ford and Mouzas (2007), and Baraldi, Brennan, Harrison, Tunisini, and Zolkiewski (2007), and that consubstantiates the missing perspective that Axelsson (1992a) alludes to.

Contrary to presumptions of the strategy field doctrine, the relational view of strategy admits that the firm’s conduct (and hence corporate strategy) is neither determined by the environment nor completely autonomous. The networked firm enjoys a considerable discretion, something in between total “strategic choice” (Child, 1972) and “environmental determinism” (Aldrich, 1979).

Corporate strategy results not only from the incremental and coherent decisions and actions taken by the firm over time (Mintzberg, 1987; Mintzberg & Waters, 1985; Quinn, 1980) but also from counterparts’ decisions and actions. Strategy in the cooperative business world is much less competitive in focus, shifting from pursuing victory over counterparts to somehow making it together with those entities. “Strategy in business markets is not just about the company acting *against* others, but also often acting *with*, or *through* them” (Ford et al., 1998, p. 274, emphasis in original).

The key message of the relational view of strategy is quite straightforward: the firm is likely to survive or grow – with corporate survival and growth as being ultimate purposes to which aspires – only by the continuous alignment with its environment and especially by shaping its context (together with counterparts and in part to own advantage). Most importantly, the performance of the firm is affected by (and affects) the conduct and performance of counterparts with which is directly as well as indirectly connected via cooperative relationships (Araujo, Dubois, & Gadde, 2003).

5. CONCLUDING REMARKS

Adam Smith, Allyn Young, and George Richardson are precursors of network thinking on B2B markets, being among the first scholars who

contend the need for – and the large benefits resulting from – both specialization and integration (in the form of cooperation). MAN theory arose formally in the mid-1970s as a European full-fledged reaction to the prevailing American view of industrial marketing and purchasing activities, and its dissemination proceeds mostly through books but also via journal papers.

Largely descriptive, MAN theory posits the focal firm as an interdependent entity with blurred and changeable vertical boundaries, heavily embedded in intricate networks of connected business relationships. These vertical cooperative relationships exhibit in general a set of distinctive features (e.g., informality, continuity, symmetry, complexity, adaptations, coopetition, social interaction, and routinization). Owing to this elaborate substance, business relationships are capable to perform a diversity of functions (e.g., access, control, efficiency, innovation, stability, and networking), thus allowing the firm to obtain benefits in excess of sacrifices (i.e., relationship value). Business networks are self-organizing and evolving aggregates of (diversely connected) business relationships and firms, and are unbounded, centerless, and somewhat opaque.

The firm is inserted in a full-faced, rapidly changing context that includes all the entities with which develops and sustains some kind of corporate linkage (i.e., suppliers, customers, suppliers' suppliers, customers' customers, and even competitors). Accordingly, corporate strategy is a pattern of converging decisions and actions of the firm with a twofold purpose: first, the (mostly passive or reactive) fit to a slowly changing, and largely faceless and intractable environment; and the (primarily proactive) interrelation with and shaping of context.

To the best of the author's knowledge, no extensive review of MAN theory is yet provided in the literature on business networks – despite the relevance of some works addressing the theory's points of departure, analytical and empirical pathways, and upcoming research avenues (e.g., Easton, 1992; Easton & Araujo, 1989; Mattsson, 2004; McLoughlin & Horan, 2000a). Although this paper arguably provides the major review of MAN theory published so far, the author pleads for the update, revision, and even extension of the integrative and synthesizing work tentatively done here.

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