# IMP AND SERVICE DOMINANT LOGIC: DIVERGENCE, CONVERGENCE AND DEVELOPMENT

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ABSTRACT

The aim of this paper is to relate the research of the IMP (Industrial Marketing and Purchasing) Group to the ideas within the developing concept of SDL (Service Dominant Logic). The paper compares and contrasts the origins and approaches of the two streams of work and then examines two important conceptual issues that appear to need further development by both areas: The first of these issues is the nature of the business actor in an interacted business landscape and the second is the issue of value and its creation and delivery. The paper then uses some of the IMP ideas on business interaction in an attempt to refine the central SDL concept of "service" between companies. The paper attempts throughout to draw some tentative conclusions about the implications of this conceptual analysis for practitioners.

Key Words: Service Dominant Logic; IMP; Business Interaction; Business Actors; Value; Service

## INTRODUCTION: THE ORIGINS AND ORIENTATIONS OF SDL AND IMP

Both of the bodies of research termed SDL (Service Dominant Logic) and IMP (Industrial Marketing and Purchasing Group) developed from fundamental dissatisfaction with the traditional ways of visualising, examining or carrying out some aspects of business1 and both have acquired some of the characteristics of so-called "academic brands" (Cova, Ford and Salle, 2009)2.   But there is a significant difference between the origins of IMP and SDL.  SDL may be considered to have its origins, at least in part, in ideas on so-called "service-marketing" and the perceived need to develop a conceptual structure to examine differences between service-marketing and product marketing.  SDL may also be interpreted as part of a wider move towards a service orientation in both academic literature and allegedly in business practice and partly as advocacy for such a move in both areas.  More centrally, SDL is based on a belief in the conceptual and practical superiority of analysis based on the *service* that is provided for customers rather than the products that are used by suppliers as a delivery mechanism for that service.

IMP has its origins in dissatisfaction with the conceptualisation of the nature of business marketing and purchasing that prevailed at the time of its first project (Hakansson ed, 1982) and that are still current in mainstream literature3.  This dissatisfaction was expressed at the time as a number of challenges, as follows:

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[1] Throughout this paper, the two approaches are referred to as "SDL" and "IMP" with the associated simplifications and that this involves.   The former is based largely on the work of Lusch and Vargo (Lusch RF and Vargo SL, 2004, Lusch RF and Vargo SL 2006a, Lusch RF and Vargo SL, 2006b, Vargo SL and RF Lusch, 2008. The latter is taken from the author's and others own writings.   For example, Hakansson ed 1982, Ford et al 2003, Hakansson and Ford, 2002, Ford and Hakansson, 2006.  Further examples of wider IMP work can be found on impgroup.org. Specific references are provided where appropriate.

[2]   It is perhaps worth noting that the process of academic brand-building, whether accidental or by the intention of researchers is unlikely to add  objectivity to the analysis of alternative perspectives, at least by an analyst brought up in one of the brands under consideration!

[3] This continuing orientation towards the separate examination of single purchases (Industrial/Business Buyer Behaviour) and business marketing is evident in most textbooks dealing with the subject.

To the concentration of the industrial buyer behaviour literature on the analysis of single, supposedly discrete purchases. Instead IMP emphasised the importance of the relationship that exists between buyers and sellers….

To the view of industrial marketing as the manipulation of marketing mix variables to achieve a response from a generalised and by implication passive market. Instead, IMP emphasised the interaction between individual buying and selling firms where either firm may be taking the more active part…

To the assumption of atomistic industrial markets containing large numbers of individually insignificant buyers and sellers, with ease and speed of change, entry and exit. Instead IMP stressed both the stability and heterogeneity of industrial market structures where those present as buyers or sellers know each other well and are likely to be significant to each other's operations……

To the separate analysis of the processes of industrial purchasing and industrial marketing. In contrast IMP emphasised the similarity of the tasks of buyers and sellers in industrial markets and called for simultaneous analysis of both the buying and selling sides of relationships" (Hakansson ed 1982).

IMP has not been linked to ideas on service marketing, but like SDL, its work is separate from the "standard microeconomic paradigm" (Vargo and Lusch 2004). Instead, IMP's antecedents were in early studies on distribution channels (eg Balderston, 1964, Bartels, 1988, Breyer, 1964, Boulding, 1962 and Bucklin, 1965) on the relationships between specific companies over time and to the long-term processes through which companies developed internationally (eg Johanson and Vahlne, 1977, Johanson and Wiedersheim-Paul, 1975). Both SDL and IMP can trace their origins to the pioneer thinkers in marketing such as Alderson (1954, 1957, 1965).

But perhaps the most significant difference between the origins of IMP and SDL is that the IMP dissatisfaction with existing paradigms and its developing theoretical structure has its foundation in large-scale empirical research which has been continued for over thirty years[4].

APPROACHES TO THE ANALYSIS OF MANAGERIAL BEHAVIOUR

Both SDL and IMP are concerned with the ways in which academics should view the behaviour of practitioners.  But both also suggest that those practitioners themselves mis-perceive or at least mis-describe the activities in which they are engaged.   A particular aspect of this interest in practitioners' perspectives is the recently developed IMP empirical research into the "Network Pictures" of managers and the connection between these and business behaviour (Ford et al, 2003, Henneberg, S., Mouzas, S., & Naudé, P. 2006, Ramos, C., Naudé, P., & Ford, D. 2005).

SDL is largely concerned with marketing behaviour or the behaviour of marketers (despite its references to co-production and co-creation).  SDL is conscious of the significance and limitations of a managerial view of marketing, but it is primarily part of that managerial view, i.e. that marketing is what marketers do.  This managerial perspective is followed through in its normative orientation. SDL is concerned with how marketing behaviour should be carried out for firm and to a lesser extent societal advantage:  Thus, SDL is claimed to be "customer oriented" (Vargo and Lusch 2004).  SDL is expressed in a language that refers to marketing in general, although it has an implicit and at times explicit orientation towards what happens between companies and final consumers.

IMP seems to have little or nothing to say about what happens between companies and individual consumers.  Vargo and Lusch (2008) have suggested that this failure is common to those in the Business to Business area.   IMP is almost exclusively positive in orientation apart from some

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[4] Numerous examples of this work can be found at impgroup.org

prescriptions about the management of business relationships. Indeed it has frequently emphasised the restrictions that the characteristics of the business landscape place on the independence of business companies and on their individual strategising5.

IMP does not view the structure within which business operates as one of companies and markets, but as one of interdependencies and relationships. Similarly its view of the process of business is not one of buying and selling, but of continuing and transforming interaction. This means that IMP is equally interested in the situation and activities of customers and suppliers[6]. But its units of analysis are not individual companies, but the processes that take place between companies.

The Nature of Products, Services and Offerings

SDL asserts that services are more important in the economy than are products, both in terms of customer value and because products are themselves merely vehicles that deliver service benefit. SDL suggests that conventional marketing thinking sees services as somehow "inferior" to products. But SDL goes further to say that what is apparently transmitted and received by actors needs to be separated analytically from processes that take place within the actors, or at least within the "receiving actor" or customer.

IMP takes a similar view in de-emphasising the importance of the physical products that may emanate from either or both of the actors that are engaged with each other. At one level, this de-emphasis is because IMP uses the term "offering" rather than product (a term that is also used within SDL). For IMP, an offering is comprised of some combination of service, adaptation, advice,

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[5] IMP's view of the inherent difficulties of developing an independent business strategy in a network environment is perhaps well illustrated by one of the few IMP papers dealing with strategy, which is written under the sub-title, "Is there any Hope"? (Ford and Mouzas 2008).

[6] Indeed all business companies are simultaneously customers and suppliers and IMP views these two activities as inextricably linked.

logistics and product (Ford et al 2006). IMP makes it clear that this offering is likely to be unique in form and meaning in each customer-supplier relationship.

More importantly, IMP suggests that what happens between companies cannot be adequately described in terms of the product, service, offering or "value" (see below) that may appear to be generated by one of them for the other. This is partially because the form of any business offering is likely to be determined and indeed "provided" by both actors together: Thus the development, production and transfer of an offering is at least a two-sided and two-way affair that takes place interactively between actors.

The IMP view is that each business relationship is a unique, evolving, multifaceted process of "problem coping"[7] for both of the involved actors. This process will affect and perhaps involve other actors. Through this process, the activities, resources and the actors themselves are transformed, so that each may be regarded as the outcome of this interaction. This dyadic view has echoes within SDL, "Value for customers is created throughout the relationship by the customer, partly in interactions between the customer and the supplier or service provider" ( Lusch and Vargo, 2004), although here again SDL is concerned with value or benefits provided by the supplier for the customer alone.

IMP uses the term "Actor" because it holds that the terms "customer" and "supplier" are both restrictive and misleading in the business landscape. For example, either "customer" or "supplier" or both may develop or design the product or service elements for themselves or others. Either may perform logistics, fix price, advise the other on buying, selling, using or managing their businesses or dealing with third parties and their respective contributions to this process will evolve over time. A similar approach has now been taken within SDL through a call for "the elimination of the producer-

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[7] The problems of business actors can be both the problems of failure, such as the problem of declining orders or rising costs. They can also be the problems of success such as the lengthening delivery times or staff shortages that come with growing demand.

consumer distinction" (Vargo and Lusch 2008, 257). In particular SDL now argues that one party does not produce value whilst the other destroys it: They reciprocally "co-create" value. In this way SDL is moving closer to the idea that interaction is the basic process of business, which is at the heart of IMP (see below).

Resources in Business

SDL argues that the traditional view of business has been concerned with making and distributing things and argues for an analytical re-orientation towards the abilities (operant resources) on which products or services are based. SDL emphasises that (operand) resources are not fixed but "become" something of value when acted upon. This view relates closely to the IMP expression that resources are heterogeneous and their usefulness is dependent on how and with which other resources they are combined (Hakansson and Snehota 1995). IMP has also viewed products and services as the outcome of the technologies or abilities possessed by actors. In particular, IMP emphasises that a combination of technologies is required to cope with any actor problem and that the combination of product and process technologies requires the addition of "marketing technologies"[8]. But more significantly IMP emphasises that the combination of technologies required to cope with any actor's problem cannot be provided by any one counterpart, but by a network of actors (Ford et al, 2001): Many companies now hold fewer of the technologies that they need to address their customers' or their own problems in-house. Similarly many of these companies are now more dependent on their own suppliers, customers or third-parties for activities that they previously would have carried out for themselves. This "hollowing" has coincided with a growth in contract-manufacturers (based on specific process technologies), the emergence of independent design houses in many areas; computing, automotive, fashion (based on specific product technologies), the growth of so-called

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[8] "Marketing technologies" here refers to the many technologies or abilities involved in marketing and that form the substance marketing textbooks and marketing teaching: The separate abilities to manage a sales-force, operate a call centre, determine prices, manage relationships, buy media, design advertising etc. Just like product and process technologies, marketing technologies may be held in-house or supplied by another company and just like product and process technologies, they can be acquired and exploited in a number of ways.

marketing services companies providing design, branding, advertising skills (based on specific marketing technologies) and the growth of first-tier suppliers, often with relatively few technologies of their own but with relationships that enable them to integrate the offerings of several others to the requirements of particular clients.

IMP sees business as the process through which technologies are developed, combined and exploited within and through business relationships. Without relationships the technologies of neither party would have value and without the technologies of the two parties, their relationships would have no value to them[9]. Both relationships and technologies involve investment and hence business may be interpreted as the task of developing and maximising the return on a company's relationship and technology assets. According to IMP, a product (or a service) is simply a vehicle for delivering the benefit of the technologies of each party to the other so that this combination of technologies can then form part of the problem-coping processes that take place between each of them and others. The important implication of these inter-linkages with others is that an apparently dyadic business process is actually part of a network-wide pattern of relationships and interdependencies. SDL speaks of a coming together of the respective abilities of two actors. But IMP takes this idea further by suggesting that a capability cannot really be considered a quality of an individually actor but of the relationship between two or more actors. Further, the extent of business interdependence suggests that the activities and resources that exist within a company are less important in defining that company than the activities and resources to which it has access through its relationships. In this way, the IMP view of the business actor is much more as a node in a network of activities and resources held by others, rather than as a free-standing, independent or complete organisation. Acting in this landscape involves a succession of choices made by each actor and others that lead to investment and development of specific and interdependent relationships and technologies by those actors. These choices do not simply affect with whom or how to do business. Instead, the specific

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[9] A commonly used IMP example of the connection between the technologies of counterparts and the relationship between them is the critical factors in the development of IKEA of homebuilders having the requisite process technologies in logistics and assembly!

relationship choices of each actor over time and the interaction between them define and transform those actors.


IDEAS ON BUSINESS RELATIONSHIPS


The term "relationship" introduces one of the most critical differences between IMP and SDL thinking. At the simplest level, SDL relates itself to the concept of "relationship marketing" and illustrates its normative orientation when speaking of the "need to develop collaborations and partnerships with customers". But the term "relationship marketing" is oxymoronic within IMP thinking. This is because marketing is conventionally defined as an activity of one of the two parties in a relationship. However, a relationship is by definition dyadic: Both parties are involved in similar activities of relationship *management* and the evolution of their relationship is the outcome of these efforts. Hence a business relationship is beyond the control of either of the involved actors. IMP research has highlighted the common situation for business actors to have a small number of individually significant relationships with their major customers and suppliers. Each of these major (and other) relationships will be unique. Each involves a different combination of activities and resources, each has a different meaning for the participants and each addresses unique problems for both actors. Although actors may seek to generalise their approach across their relationships to achieve economies, this does not detract from the uniqueness of each. Further, all of an actor's relationships involve costs and many will be a burden to it (Hakansson and Snehota 1998). Not all relationships are valuable and not all should be pursued.


IMP suggests that a relationship exists when what happens between any two actors is affected by both of their views of what has happened between them previously and by what they would like to happen between them in the future. Hence a business relationship can only be understood by viewing it as a process through time, rather than by a snapshot at a particular point in time or as a series of discrete transactions. "Relationship time" is unique in each case. It is often recursive and

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observable through a continuing cycle of episodes and evaluations. Relationship time may be fast or slow and relationships may be in phases of inertia, development or redevelopment at any time (Ford and Rosson, 1982). The idea of a business relationship as a unique and varying process through time is important from both an analytical and a practitioner perspective.

We may generalise from the IMP empirical studies that business relationships are characterised by complex contacts between multiple individuals. The ubiquity of multi-person contact patterns between companies contrasts with the SDL assertion that fewer people now interact with customers (Vargo and Lusch 2004). These contact patterns tend to be inconsistent both between different individuals and functional groups and over time. Different views of the importance and purpose of a relationship are likely to be held by different individuals and by the two companies if viewed as a whole. Intra-personal and inter-temporal *inconsistency* in interaction presents both an opportunity and a challenge to business management (Ford et al, 1982). Inconsistency also presents a conceptual and empirical challenge to researchers investigating the concept of the business actor (see below). All companies have multiple relationships and so an actor's assessment of each is relative to its assessments of others.

Practical and academic issues are also raised because many business relationships are long-established, even though there may not have been a continuous process of purchase and sale within them. Hence both individual and corporate "memory" is likely to be a significant factor in current interaction. The importance of relationship time is also manifested in the considerable separation that may occur between connected events such as that between first contact and first order.

The IMP research on the nature of business relationships indicates the need for a re-orientation of the idea of sales and profits. Thus a particular company in a particular relationship only achieves profitability from that relationship when the cumulative positive cash-flow either directly through orders from a counterpart or indirectly in cost-savings, efficiency gains or from enhanced sales to or

profits from third parties, becomes greater than the cumulative negative cash flow associated with the investments and adaptations made in the relationship. The length of time involved in achieving this position may be long and suggests that accounting should be concerned with the rate-of-return on relationship investment, either individually for important relationships or collectively for others (Ford and Hakansson 2009). However, the interconnections between relationships in space and time complicate the attribution of financial profit to particular relationships. These interconnections are particularly complex because individual relationships or episodes within them are likely to be used by both counterparts to address different problems. Thus relationship management is concerned with short and long-term costs, outcomes, the interplay of costs and benefits between relationships as well as the potential for opportunism in relationships. Attempts to account for relationship benefits, costs and revenues are made more difficult because conventional company accounting is commonly concerned with products and operating units, rather than wider offering costs and relationship investments and returns over time10.

SDL infers that companies can choose whether or not to have relationships with particular counterparts. In contrast, IMP research indicates that relationships are not a matter of individual choice but are the outcomes of interaction and part of a universal relatedness through which actors are linked to others within a pattern of interdependencies stretching across the network (Hakansson and Ford 2002, Ford and Hakansson, 2006). Any two related actors each have choices about *how* they would wish that relatedness to develop. But what actually happens between them will be the outcome of the intentions of both of them and their interactions with each other and others. In this way, the development of any particular relatedness is in a true sense, accidental. IMP sees a business relationship as a particular form of relatedness that is likely to have quasi-organisational characteristics (Blois 1972).

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[10] Even so-called CRM or Customer Relationship Management systems tend to be oriented towards current volumes, achieved price and attributed costs, rather than relationship investments, adaptations, returns and wider outcomes and implications.

MARKETS, NETWORKS, EXCHANGE AND INTERACTION

The distance between IMP and other approaches to business and marketing including SDL extends further than their views of relationships and relates to more fundamental concepts of markets and exchange, as follows:

The Idea of the Market

The conventional neo-classical concept of "the market" has been a convenient construct for economists wishing to generalise about economic behaviour. The construct is commonly used as "the market for" a narrowly defined "something" whether a product or service or a more broadly defined set of activities or offerings such as "the financial markets". The term "market" is often used to define an aggregation of homogeneous and individually insignificant customers or suppliers that are delimitated by geography or other descriptor. Individuals can choose to buy or sell or to enter or leave the market. Each purchase and sale in this market is similar to but separate from all others. The assumed homogeneity of the market allows purchases to be aggregated for the purpose of analysis.

But the empirical landscape that IMP and others have investigated bears scant resemblance to this situation. What happens between business actors is not homogenous even if it appears to centre on a particular product or to involve superficially similar companies. Each interaction process is unique in its characteristics and meaning to those involved and is specific to a particular situation and a particular time. Business takes place between individually significant actors that are not free to enter or leave this business landscape: Proctor and Gamble can't walk away from Walmart and Walmart can't walk away from Proctor and Gamble. Business actors are not independent. What happens between them is not a succession of isolated transactions, but a process of interaction that evolves over time as part of their evolving relationship. This evolution is dependent on what has happened

between them previously; on what they expect or wish to happen between them in the future; on what happens between them and other specific actors and between those specific actors themselves. IMP research has led to a picture of the business landscape based on a structure of interdependencies and relationships rather than products and companies.

SDL acknowledges the shift to an economy based more on postponement than speculation (Bucklin 1965). It also acknowledges that value can be added by "intermediaries". But its view of intermediaries is from the perspective of a single company (a manufacturer). IMP would say that all of the actors in a business network are intermediaries and that hence the term loses its value. No one actor is ever able to provide a solution to a problem of another on its. However, IMP's emphasis on the uniqueness of each individual interaction process in network time and space severely restricts both the generalisations that can be made about business behaviour and the normative conclusions that may be drawn. This problem of generalisation is further exacerbated by IMP's almost exclusive use of case methodology.

Exchange

The idea of business involving the exchange of an offering for money sits rather uncomfortably in an interacted landscape. What is received by a customer and provided by a supplier is frequently not predefined in a catalogue, quotation or specification by either of the actors, nor is it the same as that which is received or supplied by others, either in its form or meaning. Further, what is received and provided in a business relationship cannot fully be described in terms of goods, services or money: Interaction with different counterparts provides an arena for each actor to address its own particular problems. Each interaction episode has a particular meaning to those involved and will be interpreted by them in the light of those problems. For example, a supplier may view a particular customer as a way of coping with problems of cash-flow, even if it is not particularly profitable. Another customer may be a willing collaborator in joint development and provide an opportunity to

update the supplier's technologies. Another customer may involve the supplier in developing its flexibility in dealing with rapidly changing customer requirements etc. Other customers may be easy or cheap to deal with and provide a valuable if unexciting base-load of business for the supplier. Similarly, a particular supplier may enable a customer to cope with a problem of deliveries of a successful new offering to its customers. Another supplier may be willing to adapt its operations to provide enhanced technical assistance etc. Business interaction is a self-serving process for the participants through which they can address some of their own problems by addressing those of counterparts.

Because interaction is a process over time, it is likely to involve short-term sacrifice for longer-term gain. The actions, reactions and re-reactions that comprise interaction over time often involve relationship-specific investments and adaptations of either or both counterparts. In this way, business interaction is a very specific form of a concept that is used throughout the social sciences. Business interaction is not restricted to communication, negotiation or exchange. *It is a substantive process that leads to the modification or transformation of the activities and resources of the actors and of the actors themselves.*

RESEARCH ISSUES IN SDL AND IMP

Having outlined some of the similarities and difference in the approaches of SDL and IMP, we will now build on this comparison to examine two of the perennial issues that appear to face researchers within the two approaches.

The Issue of Value

SDL advocates a shift in the orientation of academic thinking from products to "value creation". In contrast, IMP has had little or nothing to say about value. This difference in orientation could

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perhaps be attributed to the more normative orientation of the former and the positive orientation of the later. But the difference may have a deeper origin and explain a great deal about the basis of IMP thinking, as follows:

SDL draws from the established literature in its discussions on value but places the customer within the value-creation process. Two points arise from these discussions: The first is that "value-creation" seems to be treated as an end in itself rather than as a process to achieve something particular. In other words, the concept of value is not rooted in any specific issue or process within the recipient. The second point is that value is seen within SDL to be something that is created by the supplier (and to some extent by the customer) for the customer. Thus the idea of value creation is an interesting example of the residual one-sided view of business in conventional marketing or SDL thinking.

An IMP view of value would have to start with the idea that all episodes of business interaction will have a particular meaning for those involved and may affect their conscious or unconscious approach to future interaction: Examples could include delivery and payment, whether late or on time; development or adaptation, whether as expected or deficient; information or advice whether valuable to the recipient or not. IMP suggests that interaction has both conscious and unconscious aspects: It refers to conscious attempts to affect interaction as "networking". Networking is a dyadic process of sequential action, reaction and re-reaction by both counterparts. Thus, unlike value-creation, networking is not a one-sided process by a supplier for a customer. Networking is comprised of the self-serving attempts of either actor to affect the interaction between them for the purposes of coping with one or other of their own problems11. However, in order to achieve that self-serving aim over

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[11] Throughout this paper I refer to "coping" with problems. There are a number of reasons for this: Firstly, an apparently successful problem "solution" at a particular point in time may appear quite different at a later time. Secondly, the efforts of *on*e counterpart to solve a problem are unlikely to be successful without the particular efforts of the specific counterpart(s). Thirdly, the problems of business actors are unlikely to be simply "solved". Different interactions may produce different coping mechanisms that will involve more or less benefit and more or less side-effects and more or less costs.

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time, both of the actors in a dyad will be involved in attempts to cope with the problems of counterparts, or at least in altering their view of those problems.

Actors' problems are specific in time and space and this specificity determines the view that each actor takes of each of its relationships. The interpretation of any actor, whether "customer" or "supplier" of any episode of interaction will be based on its specific problems at that point in time and on how it relates particular interactions to particular problems, whether or not those problems have been articulated.

Thus the *value* to each participant from an interaction episode (whether or not that episode includes delivery or payment) is not a characteristic of *what* is involved in it, whether offering, payment or performance. Instead, the value to each actor of an interaction episode is an outcome of that actor's interpretation of how the episode relates to specific problems that it is addressing at that particular point in time. Thus:

> The value for an actor of an episode in business relationship is the link between that actor's specific problems at that time and its interpretation of the episode.

But business interaction is a process over time. Therefore, each actor's interpretation of episodes in a relationship will affect its assessment of the value of the relationship as a whole and its subsequent networking within it. Thus value also has a second and more important aspect in an interactive world, as follows:

> Value of an interactive business process for a particular actor is that actor's perception of the potential usefulness of the process in coping with its other current or future problems12.

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[12] These distinctions about value and the effects of interaction were made based on an empirical study by Ford and Mcdowell,1999.

The Issue of the Actor

SDL has suggested that academics should adopt the term "Actor" as a contribution to deemphasising the supplier-customer dichotomy. Actor is a common term in IMP literature. But the idea of the business actor in the interactive business landscape produces huge conceptual problems that have been faced but not fully dealt with by IMP. The background to the issue of the actor can be outlined as follows:

An interactive view of business sees the actor existing in a network of interdependencies with others. In this way, the business actor is an incomplete entity and is unable to cope alone with its own problems or those of others alone. Business interdependencies also mean that an actor will not have clear or fixed boundaries or be uniquely separate from particular others. Further, the interaction between single counterparts is inevitably connected with their other interactions across the network. These connections limit the extent to which a single actor can influence events or even see the possible or actual effects of its own or others' interactions. More importantly, an actor's interdependence with others and the interconnections across the network mean that connected activity patterns and resource clusters outside of the actor are likely to be more significant to its existence than those that are inside it. An actor's interdependence with others enables it to operate but also means that a single actor is unable to plan, develop or implement a strategy that could realistically be described as independent. We have referred to this situation as the first of a three Network Paradoxes, as follows: The relationships of an actor are simultaneously the basis for its change and development and a constraint on that development (Hakansson and Ford 2002).

The idea of a network of heterogeneous resources, interdependent activities and joint actors (Hakansson et al 2009), each of which are specific in time and space further restricts the concept of the business actor. The Second Network Paradox suggests that although the relationships of an actor

may be seen as the outcome of its strategising, it is equally valid to see that actor as the *outcome* of its relationships and the co-evolution of the actors within them.

Finally, the Third Network Paradox suggests that all actors attempt to exercise some control over the business landscape in which they operate. But all such control, if achieved, restricts problem coping by counterparts and limits their ability to take initiatives. Complete control by any one actor would be likely to eliminate network development. The outcome of this paradox that each business actor must accept the leadership or initiative of counterparts at specific points in time and space in its relationships rather than attempting to exclusively follow its own evaluations or intentions. This paradox reinforces the limitations on the idea that business actors can or do develop their own independent strategy.

Managers do take decisions and they do try to manage their interactions. However, our ideas of the process of management have largely been developed under assumptions of independence. An interactive view leads to a conception of the actor and the activities and resources associated with it, as *interactively defined*. The interactive business actor simultaneously exists on many levels as individual, subgroup, operating unit or corporate entity. The interactive business actor is not the starting point but one of many continuing endpoints of interaction. This view leads to the idea that it is not actors and acting that are at the heart of managing and understanding the process of business. Instead, the analysis and operation of business are concerned with the structure of relationships and interdependencies and the process of interaction which define the actor itself. It is clear that IMP research has not fully addressed the issues that surround the rather ephemeral identity of the business actor. Instead, the IMP Group's empirical research has been based on convenient assumptions about the nature of the business actor as both a company and an individual and as both independent and dependent on others. There is now a clear need for structured empirical work on the interplay between these entities and the nature of the interactively defined corporate actor.

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SERVICE

The concept of service is, of course, at the core of SDL thinking. However, SDL is not concerned with services, simply as things that are different from goods13. Instead, the SDL view of service translates the idea of business from that which consists simply of the production of *things* that are supplied to a customer, to the creation of (customer) value with the customer:

"Service Logic means that the supplier is not restricted to making value propositions (to a customer), but it can directly and actively influence its customers' value fulfilment as well"14

We have already noted that the idea of service has received very little attention within IMP, although IMP work has considered services as one part of an offering and there have been some studies of business relationships involving the supply of services. This leads to the question of whether it would be possible and productive to further develop the IMP approach to the managerial activity of networking in a way that would link to the SDL service concept. A first attempt to make this development may be attempted as follows:

Networking as a Dyadic Process

Networking is the purposive element of business interaction through which actors seek to cope with their *own* particular problems. But problem coping for each actor in an interdependent relationship inevitably involves them in simultaneously or sequentially addressing the problems of counterparts.

Thus an IMP view of service would be at least dyadic and would be conceptually identical for both actors ("customer" or "supplier"). This view would centre on networking and would see service as

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[13] Thus an SDL view would be that an orientation towards tangible services is an example of "goods dominant" thinking – Steve Vargo at the Second Otago Forum, Dunedin, December 2008.

[14] Bob Lusch at the Second Otago Forum, Dunedin, December 2008.

heterogeneous between relationships and at different points in time. Thus service would be concerned with the connected value outcomes for both participants in terms of their particular problems.

Uncertainties in Networking

Problems are coped with and networking choices are made under conditions of uncertainty that relate to the nature of the particular problem and also to the context in which interaction takes place. Uncertainty will affect the actor's own networking and the service that it may seek from a counterpart15. Each actor may face uncertainty about coping with its own problems and those of counterparts in three forms:

Problem Uncertainty: This exists when an actor is unsure of the best or most expedient way to cope with one of its own problems. An actor's problem-uncertainty may be increased or decreased either through experience, such as when supplying or buying a particular offering several times, or through attempts by their counterpart to manipulate their uncertainty. For example, an actor may seek to increase a counterpart's problem-uncertainty by persuading it of the complexity or difficulty of coping with the problem16. This may be an attempt to increase the counterpart's dependence.

We may expect that an actor with problem-uncertainty is likely, at least initially to seek interaction within well-developed relationships with established counterparts or those with strong reputations or "brand". Interaction involving problem-uncertainty is often intense and the actor is likely to *concede* to the advice of the counterpart.

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[15] This section was developed from Ford et al 2003, 44-49 and the empirical work in Hakansson et al, 1976.

[16] Of course either actor may have chosen to confront this particular problem. For example, a common sales activity is to encourage customers to address a previously unrecognised problem.

Network-Uncertainty: Business actors may also face uncertainty about where in a network of relationships they should seek to cope with a particular problem. This uncertainty relates to the number, heterogeneity and rate of change of potential interaction processes as perceived by the actor.

Network-uncertainty is likely to lead to quite different interaction choices when compared with those associated with problem-uncertainty. For example, a network-uncertain actor, faced with heterogeneous or rapidly changing surroundings is likely to invest heavily in scanning and evaluating the network. This actor is less likely to commit to a single relationship at this time. Network-uncertainty may involve an actor in important choices about creating new relationships. Common examples of network uncertainty occur when a company is considering the most appropriate customers or suppliers that are involved with an emerging technology.

Actors may attempt to manipulate the network-uncertainty of their counterparts. For example, an actor seeking to develop a relationship with a new counterpart facing a particular problem may emphasise the heterogeneity of the network and its own uniqueness. Another actor in an established relationship may seek to de-emphasise the rate of change in a network to suggest that current ways of coping with the counterpart's problem will remain optimum for the foreseeable future.

Fulfilment Uncertainty: An approach to coping with a particular problem may be designed or developed through interaction between actors. But for the problem to actually be coped with, the approach must be followed through to completion. In other words, fulfilment must take place. To achieve fulfilment may require financial investment, service or product delivery, administrative restructuring, staff recruitment, training, financing, changes in relationships with other actors etc. The extent to which an approach will actually cope with its problem at the right time and right cost may be an important source of uncertainty for the actor.

It is common for an actor seeking to try to reduce the fulfilment-uncertainty of new counterparts by guarantees or by pointing to "reference sites" where they have interacted successfully. This same actor may also try to increase the new counterpart's fulfilment-uncertainty about their existing relationships. Typical examples of this are when a new actor suggests that a potential counterpart is paying too much or charging too little in its current relationships or that the other actors in these relationships are unstable or unreliable.

The Evolution of Uncertainties: The uncertainties of business actors evolve over time. Thus, problem-uncertainty is likely to decrease with experience of coping with a problem. Further, when an actor has gained experience of coping with a particular problem then it is possible that it will place less emphasis on the way that the problem can be coped with and more emphasis on the cost or efficiency of coping. In this way, fulfilment-uncertainty may increase. Similarly, experience may lead an actor to consider other potential counterparts as a way of improving the way that the problem is coped with or achieving greater efficiency in coping. Both of these situations are reflected in an increase in the actor's network-uncertainty.

The Abilities of Actors

The respective abilities of individual actors when combined are the basis of joint capability to address the problems of those actors. Hence these abilities enable actors to provide service to a counterpart. An actor's abilities are rooted in its resources and activities of actors and in how they can be combined with those of a counterpart and others through connecting relationships. The abilities of the actors in a dyad each contribute to coping with the other's problems. But the abilities that are required by an actor of a counterpart will depend on its specific problems and the uncertainties it faces in addressing them.

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The abilities of business actors can take two forms: Problem-Coping Ability and Fulfilment-Ability. The connections between problems, uncertainty and abilities provide a link between an IMP view of business and the concept of Service in SDL as follows:

Problem-Coping Ability: The problem-coping ability of an actor enables it to provide or develop a way to cope with a particular problem of a counterpart. Problem Coping Ability is perhaps best interpreted as a *promise* by an actor to a counterpart. For example, an actor may promise that it will adapt an offering so that it will meet a counterpart's requirements or it may promise to change some aspect of its operations to accommodate a counterpart's problem. An actor's Problem Coping Ability is likely to be important to a counterpart facing a new or complex problem and with problem or network-uncertainty about how to approach the problem and with whom to do so. In these situations, the counterpart is likely to accept inadequacies in *fulfilment* by an actor as shown by late deliveries or payments or inconsistency of supply or demand.

Developing and maintaining the ability to cope with a wide range of its own problems is resource intensive and prone to obsolescence. This has led companies to increasingly rely on the problem-coping abilities of others for advice and solutions to cope with many of their continuing problems. But maintaining the ability to cope with the problems of counterparts is also costly for an actor. These costs frequently become unsustainable for companies as the problem or network-uncertainty of counterparts declines. These companies become more confident of their own resources and activities so that they are less likely to seek or to pay the price charged for the Problem-Coping Abilities of an actor.

Fulfilment Ability: This ability is measured by the extent to which an actor is able to fulfil its promise and to actually carry out what is required by a counterpart on time, at the agreed cost and specification. The Fulfilment-Ability of an actor is likely to be important to a counterpart when that counterpart has little or no problem-uncertainty about the best approach to cope with the problem or

network-uncertainty about where to look for an approach. However in this situation the counterpart may have significant fulfilment-uncertainty about efficiency, reliability or cost in actually coping with the problem. Hence it may choose to rely on the fulfilment-ability of an actor. Common examples of fulfilment-ability include the ability to successfully install complex business software or to provide regular, trouble-free or consistent deliveries. The fulfilment-ability of actors is often critical to counterparts when they are seeking to cope with mundane problems centring on convenience or cost. But fulfilment may be difficult or complex and involve high-cost organisations. Examples of complexity in fulfilment-ability occur in the management of just-in-time delivery or sourcing of components for high volume users.

AN IMP VIEW OF SERVICE

An IMP view of service in business has some clear similarities with the developing concept of Service Dominant Logic. But the IMP view shows some important differences and provides further detail to the concept of value and of service itself. Some of these may be outlined as follows:

Both IMP and SDL seek to remove the distinction that is often drawn between the behaviour of business customers and suppliers. Thus IMP would emphasise that service is at least two-way process between actors. Also, IMP would suggest that service is not a readily generalisable concept, but is specific to each relationship in which it occurs.

Service for each actor in a dyad relates to specific problems of that actor. An actor may choose to ignore, accept or cope with some of its many problems; others it will be unaware of. The service that an actor may seek from a counterpart will depend on the particular problem(s) it is addressing; the network or fulfilment uncertainties that it experiences and its views and experience of the counterpart's problem coping and fulfilment abilities and of its own resources.

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The choice of whether a particular counterpart is involved in coping with a particular problem of an actor will be made by both of those actors. The pattern of subsequent interaction between actor and counterpart will also be influenced by both actors.

The service that may be provided by a counterpart to an actor represents a contribution to specific problem-coping based on its abilities and is combined with the actor's own contribution based on its activities and resources and those provided through its connected relationships.

The problem-coping or fulfilment-abilities of an actor in the business network are based on the configuration of its activities, resources, relationships and experience. Even superficially similar actors involved in the same "industries" are likely to have different abilities and provide different services. This means that many apparent competitors, based on the similarity of their "products" may not be real competitors and many companies with widely different products may be real competitors in providing different services to cope with the same specific problems of specific counterparts with specific uncertainties.

The development of an actor's problem-coping and fulfilment-abilities require investment that is often mutually exclusive. These investments represent major strategic choices for business actors. For example, an actor may invest in problem-coping ability by recruiting advisory personnel and building flexibility into its operations. Another actor may restrict itself to a standard offering with no advice but advanced logistics. Similarly, an actor may build its own skills in product and process development to make itself an important problem-coping customer for suppliers. Another may seek to simplify its approach to buying standard items in large volumes with minimal requirement for adaptation17.

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[17] This latter approach based on fulfilment-ability was said to be taken by Ford of Europe as a way of limiting its dependence on particular suppliers.

No problem of an actor can be solved by that actor or by any single counterpart alone. An IMP concept of service relates to specific problems and uncertainties of both counterparts rather than to general characteristics, offerings or problems of either or both of them. But service that an actor is involved with in any one relationship is inter-connected with service that it provides or receives in others. Thus, the ways that a single actor seeks to cope with its own problems is never isolated from its involvement in problem coping for a counterpart, even though these two processes may be separated in time or network space.

All actors approach their problems with uncertainties and all actors seek to manipulate the uncertainties of their counterparts. Major aspects of business interaction for each actor are to decide which of their own or counterparts' problems to confront and when to do so; where within their relationships to seek coping; how to approach those problems with counterparts; what abilities of counterparts' to employ and how each problem coping should relate to their own other problems and those of the counterpart. Thus, problem coping is not an activity of a supplier alone. It is interactive and is part of the process over time through which relationships evolve. The successive coping with problems may lead to institutionalised relationships and to an evolving stability in the network.

CONCLUSIONS: SDL, IMP AND BUSINESS MANAGEMENT

This paper has suggested that the SDL view of service as the dominant logic of business and the empirical observations of IMP that interaction is the core process of business have considerable commonality. Together they have profound implications for our ideas of marketing and purchasing management and of business as a whole. We can outline some of these as follows:

An interacted view of business is built on the empirical observation of the importance to many business companies of a relatively small number of individually significant customers, suppliers, distributors or co-developers. It calls for an orientation towards these important interaction

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processes, rather than towards generalised approaches to supposedly homogeneous customer or supplier markets. An interacted view emphasises the extent of the interdependencies between companies and sees the positive choice, conscious development and management of interdependencies as a prime managerial task and a major input into resource allocation decisions.

An interacted view of the business landscape leads to a reinterpretation of the idea of business strategy and of the business company itself. The investment or adaptation of the resources and activities of a company and their inter-dependence with counterparts in particular relationships make it difficult to draw a clear boundary between the company and its environment. On one level, the lack of a clear boundary complicates accounting issues such as cash flow, the valuation of physical assets and the timing of profits. More significantly, an interacted view sees business relationships as key assets involving long term investment, so that performance evaluation is concerned with the costs and benefits of adaptations and the returns to relationship investment over lengthy periods of time rather than volumes and profits measured by product or accounting period. At a third level, an interacted view of business highlights the complexity of effects across the network and over time and takes a severely limited view of the ability of a single firm either to develop independent strategy or to plan for or anticipate outcomes. This interpretation leads to an idea of strategy that is essential reactive to previous interactions and to a company's network position. Strategy becomes a process of coping, cooperating, combining. It involves developing and adapting activities and resources with others, rather than simply planning for conflict and competition alone.

An interacted view of business involves an orientation in marketing towards specific problems and uncertainties of individual counterparts rather than the development of generalised approaches or self-defined product quality. A problem orientation is likely to change ideas of potential competitors and an uncertainty orientation is likely to affect company offerings and emphasise other non-product dimensions of those offerings. More importantly, these orientations are likely to lead to major decisions on the abilities that a company should develop and on the organisational structures required

to support these.  Similarly, a clear analysis of a company's own problems, uncertainties and abilities

is needed to address relationships and appropriate dependencies on suppliers.

This paper has argued that business cannot analyse or build marketing and purchasing separately

from each other.  Planning or analysis cannot be restricted to a single purchase or sale in isolation

from previous or potential ones, or without considering the interpretations of each episode by those

involved in them.  The paper has also argued that one-sided Customer Relationship Management and

Supplier Management are unrealistic ideas.  The outcomes of interactions are the result of the

process itself and not the aims or intentions of either of the parties alone.  Business interaction can

never be managed by a single actor18.  Interaction limits the scope of managerial discretion and the

ability to independently strategise.  It severely restricts the ability of an analyst to make

generalisations about behaviour across a supposed "market", let alone prescribe for different

interaction processes, even when the offerings involved or the characteristics of the actors appears to

be superficially similar.  Business is built on joint two-way problem solving involving multiple

resources and the delivery of directed value by specific service.

This paper has suggested a more specific, but wider view of service, building on SDL ideas.  Service

is something that can also be provided by customers to suppliers.  But in all cases, a management

view of service has to be specific to the problem(s) and uncertainties of a counterpart if it is to

provide a way of coping that is of value.  So perhaps the single most important implication of this

paper is as a plea to managers, as follows:

> Before you ever use the words "service" and "value", please think extremely carefully about
>
> the precise context to which you refer: which counterpart, what problem and uncertainty and
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> the precise abilities that are actually involved in coping with them.

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[18] Although managers may pretend that they do manage *their* customers, *their* suppliers or even *their* supply chain or distribution channel and they may have the software that tells them so!

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