

# **COMPETITION IN BUSINESS NETWORKS**

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## **ABSTRACT**

Most of those who write about marketing or strategy appear to view competition as the overarching logic of business. Commentators usually associate competition with improved economic efficiency and customer well-being and regard it as «a good thing», at least in the abstract or when it only affects others. In contrast to the widespread interest of other researchers and the concerns of managers about competition and competitors, IMP research has devoted hardly any attention to these issues over the past thirty years and the term occurs only infrequently in the IMP literature.

This paper seeks to provide an explanation for this omission by examining the value of competition as an explanatory variable in the interacted business landscape which has been the focus of IMP research. We start by looking briefly at the points of origin of the interactive interpretation of business within earlier marketing and channel research. We follow this with a theoretical analysis of the structure of a simple business network and use this analysis to identify where and how the concept of competition may have explanatory value in an analysis of the process and structure of the business landscape. We then broaden the perspective to

examine a little of how managers may view competition and how these views may affect their interactions.

The aim of the paper is not to provide a comprehensive analysis of competition, but simply to explain how the concept relates to some of the empirical and conceptual research into the business landscape in which we have been involved.

## **INTRODUCTION**

The word “competition” seems to occur constantly in the conversations of managers and in the pronouncements of politicians. Most of those who write about marketing or strategy appear to view competition as the overarching logic of business. Most commentators seem to associate competition with improved economic efficiency and customer well-being and regard it as «a good thing», at least in the abstract or when it only affects others. But many managers seek to reduce or eliminate the effects of competition on their own business by using a variety of management techniques, by lobbying governments or even by colluding with those that they regard as their “competitors”.

In contrast to the widespread interest of other researchers and the concerns of managers about competition and competitors, IMP research has devoted hardly any attention to these issues over the past thirty years and the term occurs only infrequently in the IMP literature<sup>1</sup>.

Why?

This paper seeks to answer this question by examining the value of competition as an explanatory variable in the interacted business landscape which has been the focus of IMP research. We start by looking briefly at the points of origin of the interactive interpretation of

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<sup>1</sup> For example there are no index references to “competition” in the first IMP book, Hakansson, 1982, none in Hakansson et al, 2011, only three to competitors and only one in Ford et al, 2011.

business within earlier marketing and channel research. We follow this with a theoretical analysis of the structure of a simple business network and use this analysis to identify where and how the concept of competition may have explanatory value in an analysis of the process and structure of the business landscape. We then broaden the perspective to examine a little of how managers may view competition and how these views may affect their interactions.

The aim of the paper is not to provide a comprehensive analysis of competition, but simply to explain how the concept relates to some of the empirical and conceptual research into the business landscape in which we have been involved.

## **POINTS OF ORIGIN**

The conceptual basis of an interactive view of business draws heavily from earlier marketing and channel literature. This literature took a holistic perspective and viewed business as:

«...an organic whole made up of inter-related parts, subject to growth and change and functioning in a process of distribution that is coordinated by economic and social forces» (Duddy and Revzan, 1947, cited by Bartels, 1965, p64).

Thus the early channel literature viewed business as a single process that takes place between actors and which encompasses “the services that must be performed in getting commodities from producer to consumer” (Weld (1917p. 317). This process involves multiple companies that buy, sell, assemble, arrange, accumulate, store and transport (Shaw, 1912; Cherington, 1920; Clark, 1923). Channel researchers suggested that this single process is *coordinated across the boundaries of firms* because channel productivity rests on “making the flow of goods semiautomatic even though the successive units are autonomous”. A prerequisite for coordination in such a semiautomatic process is some sort of continuing cooperation between actors. According to McAmmon and Little (1965, page 329:

All channel members....“strive to achieve mutually acceptable objectives. The goals of individual participants are often incompatible but through a process of bargaining and accommodation, divergent aspirations are reconciled and the need for cooperation is recognised”.

Thus channels:

....“are sufficiently integrated to permit the system to operate as a whole, but the bond is loose enough to allow for the replacement or addition of components.....In cohesive channels the firms think of themselves as being highly interdependent. In other cases the relationships between firms are loosely structured and fluid” (Alderson 1957).

Alderson also argued that “Cooperation is as prevalent in economic activity as competition” (1965:239), but that:

“the cooperative aspect of economic behaviour has been relatively neglected. Economists speak of competitive theory, of pure and perfect competition. There is no corresponding development of cooperative theory, no concepts of pure and perfect cooperation”.

Although these researchers emphasised the economic importance of cooperation between business actors, they did not exclude the conflict or competition that occurs between the multiple companies involved in the single economic process. For example, they were particularly concerned with the presence and effects of an implicit or explicit code of *acceptable* competitive behaviour (McCammon and Little, 1965). Early researchers also showed how adherence to this occupational code varied between those that they defined as «insiders» and «outsiders» and how this adherence varied in the face of change or external shocks (Kriesberg, 1955). The researchers also found that even insiders are likely to operate

on the basis of a restricted or short-term orientation associated with self-seeking behaviour and with attempts to build and exercise control over their relationships with others (Revzan, 1961; McVey, 1964 and Alderson, 1965). Hence, the researchers concluded that competition between channel members is likely to occur simultaneously with cooperation (Gettel, 1967) and take several forms: «horizontal competition» between similar types of actors, «intertype competition» between different types or «vertical competition» between customers and suppliers. Earlier research concluded that these different forms of simultaneous competition and cooperation are important aspects of the characteristic *heterogeneity* of the business landscape:

“The economist finds it useful for some purposes to use a model of a homogeneous market. This writer, for quite different purposes presents a model of a perfectly heterogeneous market” (Alderson 1965:29).

Alderson’s view was that in a «perfectly heterogeneous market», unique demands can only be satisfied through unique supply. Management in a supplier is directed towards delivering to an end customer “a relatively refined and specialised article shaped to a type of need fitted”....or adapted...“to the specific requirements of the individual customer who buys it”. It is only a small extension from this argument to suggest that adaptations by suppliers are likely to be associated with similar adaptations by customers to accommodate those suppliers leading to heterogeneity in the interconnected relationships across the business network.

Alderson also argued that industry dynamics result from the efforts of a particular firm in “improving its position within a system”. But adjustment to new conditions is not instantaneous and the current structure is always “a compromise between past structure and present requirements” and “the network in distribution can never come into a final stage of equilibrium” (Alderson 1965).

## **RELATEDNESS, INTERDEPENDENCIES AND INTERACTION**

Early research into distribution channels and market behaviour painted a picture of a systemic business landscape in which cooperation formed the central, but not the exclusive coordination mechanism. Our own empirical research has also attempted to explore some of the systemic characteristics of the business landscape highlighted by this earlier research. In particular, we have been concerned to examine the nature of the *relatedness* between activities, resources and the individual and corporate actors that are associated with them and which provides the structure within which business operates. This structure of related actors, activities and resources arises from the adaptations that have taken place within those actors that are conventionally defined as direct or indirect customers, suppliers and competitors as well as those between which there are no immediately apparent connections. This structure of relatedness is manifested in a complex pattern of acknowledged and unacknowledged interdependencies between activities, actors and resources.

We have also been concerned with the interactive process through which this structure of relatedness evolves as activities, resources and actors are constantly adapted in relation to each other. Our research suggests that business interaction is not limited to elements which are in direct contact with each other, *nor does it arise solely from the intentional efforts of one or more actors or from negotiations between them.* All business interaction takes place within a pre-existing structure of relatedness that is the outcome of successive adaptations both conscious and unconscious. Interaction leads to substantive, continuing and universal adaptation that takes place along complex threads of activities, resources and actors that stretch across the business landscape (Hakansson and Snehota, 1995). By definition, interaction cannot be unilateral: Its origin, progress and effects are not limited to a single actor or to a single resource, actor or activity. Interaction between any combination of business actors, activities and resources no matter how limited in number has wide, multiple

and continuing effects and in turn it is affected by multiple influences across the business network. Interaction cannot be controlled by any of those directly or indirectly involved or affected by it, although many may influence its direction.

**FIGURE 1: STRUCTURE AND PROCESS IN THE BUSINESS LANDSCAPE**

	<b>THE STRUCTURE OF RELATED-NESS AT A POINT IN TIME</b>	<b>THE EFFECTS OF INTERACTION OVER TIME</b>
<b>ACTIVITIES</b>	Interdependency	Specialisation
<b>RESOURCES</b>	Heterogeneity	Path
<b>ACTORS</b>	Jointness	Co-evolution

The connections between the structure of relatedness within a particular subset of the business landscape, whether consisting of a dyad, a simple network or “small world” (see below), or the “wider world” are illustrated in Figure 1. At a particular point in time, relatedness can be expressed in terms of:

The *interdependencies* that may have developed between activities of the two counterparts, as would be the case with integrated production or logistics systems;

The *heterogeneity* of resources or the extent to which the resources have been adapted or developed through interaction;

The *jointness* of the actors: Jointness is a measure of the range and intensity with which the actors interact with each other.

Figure 1 includes terms to describe the effects of this interaction:

The evolution of initial interdependencies between activities into increasing or decreasing *specialisation*;

The particular developmental *path* followed by the heterogeneous resources;

The *co-evolution* of the involved actors.

### ***Business Networking***

Of course, individual and collective actors are likely to seek to intervene in or respond to interaction, to attempt to alter this structure of relatedness and process of interaction. These interventions make up a large part of managerial activity that is commonly described using a wide range of terms such as “investment”, “marketing”, “purchasing”, merger and takeover within the umbrella description of “competitive strategy” (Porter). In contrast, we have used the rather more neutral and general term *business networking* to refer to conscious managerial interventions and responses into the interactive process of the business landscape and its consequential effects on the relational structure of the network. Business networking involves actors in assessing the trade-offs between the short and long-term costs and benefits of adaptation to the activities and resources that they control and to themselves. These trade-offs are intimately related to adaptations to those activities, actors and resources with which they are directly related and to others with which they are only indirectly related. Indeed a major aspect of business networking consists of the attempts of actors to use their direct relationships to intervene in those at a distance from their own “small world”. Hence, business networking is not simply the implementation of the independent company strategies of one or more actors, but a part of the continuing interaction between interdependent actors, activities and resources. Business networking may involve actors at various times and in various contexts in teaching, learning from, coercing or conceding to others. It may involve guile, deception, mutuality, immediate or long-term self-seeking.

### ***Relationships***

IMP research has been particularly concerned with a subset of business interaction that is of particular importance to the actors involved in it. This interaction is typically associated with rather intense and long-term interaction between pairs or wider combinations of actors, activities and resources and is likely to include extensive adaptations and interdependencies. These intense interactions form an arena in which important or multiple issues are addressed and through which economic value is created that could not have been achieved by a single actor or the activities and resources which it controls. We have referred to these intense interactions and economically important interdependencies as *relationships*. These relationships are likely to be the focus of managers' preoccupations and account for a large proportion of the interactions in which they are involved. The long term nature of business relationships and the investments and adaptations with which they are associated does not mean that competition is absent within them. But it does mean that cooperation, consent and mutuality are important bases of business interaction and the business landscape is likely to be characterized by stability, heterogeneity, mutual adaptation and interdependence.

## **MARKETS, NETWORKS AND COMPETITION**

A business landscape with a structure formed of related activities, actors and resources in which there is an interactive process of adaptation contrasts strongly with the idea of the business landscape as a market. A market is usually associated with a relatively homogeneous set of customer requirements and supplier offerings. A market is atomistic. The companies in the market are independent from each other and each can easily and swiftly enter or exit from the market as a whole or from transactions with any specific counterpart.

Competition is an intrinsic element in the concept of the market. In this view, the market is built upon the unilateral and self-serving decisions of individual companies about the precise

form of their approach to selling and buying. These decisions are made by each actor in order to gain relative advantage at the expense of others, whether as customers or suppliers, either specifically or in general. Ultimately, the market approximates to a zero-sum game or «a war of all against all». However, the idea of the business market also accommodates the actions of individual, combinations or categories of business actors such as particular suppliers or customers that seek to reduce the costs and uncertainties of this competition through the tacit agreements or unilateral actions that are associated with the economists' view of monopolistic competition or oligopoly<sup>2</sup>.

The concept of competition in the market suggests that two conditions must be present for competition to exist between actors<sup>3</sup>:

*Alternative Actors:* Firstly there must be alternative actors (for example alternative customers or alternative suppliers) for a particular actor to decide between and the more alternatives there are then the more choice there is for that actor, the more competitors and the more competition there will be between those alternatives.

*Similarity:* Secondly, the alternative actors must be similar to each other on one or more dimensions that are relevant to a deciding actor. Competition must be about *something* that can be specified. The clearer that the “something” is, the easier it will be for the deciding actor to identify the involved competitors and the dimensions of the competition between them<sup>4</sup>. Further, in order to maintain competition the alternatives

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<sup>2</sup>Some recent literature has looked more at joint decision making between customer and supplier (eg Gronroos, 2011)

<sup>3</sup> Here for simplicity we consider the particular case of competition between customers in their dealings with a specific supplier and between suppliers in their dealings with a specific customer rather than the competition between a particular supplier and customer.

<sup>4</sup>This second condition is exemplified in the way that public-sector purchasing should be carried out according to the «textbook». Firstly, there is a phase where a specification for

must remain as alternatives. This means that the decider must maintain some standardization of its requirements in order to maintain competition between the alternatives.

If we relate this idea of competition to the idea of an interactive business landscape then the first condition is generally fulfilled:

There are always *potential* alternative actors with which actors are free to interact and to develop relationships. However, that choice and the prospect for relationship development are restricted by the existing structure of relatedness in which those potential actors are enmeshed and the willingness of potential counterparts to interact and adapt.

The second condition is more problematic:

Interaction leads to adaptations in activities, actors and resources and the development of heterogeneous interdependencies within business relationships. This means that each relationship and the role of each actor within it become effectively unique. Indeed, one of the basic reasons for the development of adaptations is to exploit both existing and possible resource and activity heterogeneity. But the development of relationship-specific adaptations means that apparently alternative counterparts cease to be alternative.

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what should be purchased is developed, perhaps in consultation with potential alternative suppliers. Then bids are invited against this specification that perhaps lists «must haves» and «desirables». The offerings from alternative sources are then compared and a decision is reached.

Hence, the structure of adapted relatedness, the process of interaction and the development of heterogeneity in business relationships appears to be somewhat counter to the conventional idea of competition as an explanatory variable in the evolution of the business landscape.

We will now try to explore this apparent contradiction between the concept of competition and the empirical reality of the business landscape through a theoretical analysis of a simple business network.

### **COMPETITION IN A THEORETICAL BUSINESS NETWORK**

Our starting point is the simplest business network consisting of just three actors A, B and C and the potential relationships between them. There are four possible structures for this network, as follows:

***Network Structure 1, No Relationships:*** In this as in all network structures the three sets of actors and their activities and resources are related to each other and interaction occurs between them. However, no relationships exist. This could be because the actors have found no reason to develop conscious interaction and adaptations between themselves, their activities or resources. Alternatively, there could be some impediment to relationship development, such as legal constraints. Another impediment to relationship development could be competition between the actors. In this situation at least two of the actors would believe that the benefits to them of cooperation in relationship development would be less than the absolute or comparative advantage that could accrue at the expense of the others by for example gaining business from others, achieving higher price or lower costs. Competition in this situation is not simply the absence of cooperation but the intention of the actors to achieve zero sum gains.

Thus it appears from this situation that competition in a business network exists when an actor believes that gains achieved at the expense of another will be greater than the gains achieved

through cooperation. Hence, an actor may believe itself to be in competition with a counterpart and act on the basis of that belief, even if the counterpart takes a contrary view.

***Network Structure2, Relationships between each Actor:*** This structure represents the opposite situation in which all three actors have found it worthwhile to have relationships with both of the others. Substantial interaction will have resulted in the development of relationships between each of the actors: A with B; B with C and C with A. Thus, at least some and potentially many aspects of the resources, activities and the actors themselves have been committed or adapted to those of the other two. The actors may have initially chosen to interact with each counterpart to cope with particular issues, but the development of each relationship will be affected by the evolution of those issues, by the interaction and adaptations within each of the relationships.

How could competition be involved in this network structure and these relationship developments?

Firstly, each actor can choose to allocate more or less resources to each of its relationships and so the counterparts will always be competing about the priority that others should devote to them.

Secondly, the actors may compete with each of their counterparts by seeking their own advantage in the short and long-term costs and benefits within each of the two relationships in which they are directly involved and in that between their two counterparts.

But all three actors will have found it beneficial not to stress this aspect of their relationships to the extent that they are jeopardized. In the long-term, there are no reasons to expect that the actors will compete with each other about which relationships should exist because the cooperation in each relationship will be directed towards different issues and each will experience different actor co-evolution, activity specialisation and resource path. Further, the

more effectively that all three relationships work together, the better will be the total cost and benefit outcomes that can be achieved for all three. In other words, the three relationships provide the potential for profit through cooperation. For example, in the long term the benefits to A and B through cooperation are likely to be greater than the benefits to them of achieving negative effects for or at the expense of C.

Thus in this network situation, competition clearly exists as an underlying driver. But we may question the extent to which competition provides an explanation for the pattern of relationship development or the evolution of the network, when compared with cooperation.

***Network Structure 3, Relationships between Two Pairs of Actors:*** In this structure, previous interaction has resulted in two relationships between the three actors, for example A with B and A with C. There are a number of reasons why the third relationship between B and C was not developed: Firstly, there may be legal constraints on “collusion” between B and C as in the case of two dominant suppliers. Secondly, interaction may have indicated that the activities or resources of the two actors B and C are related so little that B and C have concluded that the costs to them of relationship development are greater than any potential benefits.

Alternatively, it could be that Actor A regards the activities and resources of B and C as so similar in respect of the issues that it faces that A uses them as alternatives. This latter explanation indicates that Actor A believes B and C to be competitors. Further, we may expect A to interact with B and C to encourage this competition and to gain advantage from it, for example by price bargaining between them. We may also suggest that B and C will regard each other as competitors and seek to interact at each other’s expense both directly and with A.

However, competition provides a rather weak explanation in this case because A has developed relationships with both B and C. Thus the two dyads, A-B and A-C will be characterised by actor jointness, activity interdependence and resource heterogeneity. Thus interaction within A-B and A-C will mean that over time the actors each perform a different role in the two relationships as actor co-evolution, activity specialisation and the resource path proceed to a greater or lesser extent<sup>5</sup>. In this situation, the development of the relationships A-C and A-B restricts competition between B and C. However, competition between B and C could develop if either or both sought to manipulate the actor co-evolution, activity specialisation and resource path and to alter their role in their relationships with A at the expense of the other.

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## COMPETITION AND PRODUCTS

*It is worth noting that the presence or absence of competition between any two actors has relatively little to do with the similarities of their products. Suppose that Actors A and B are both suppliers of similar components to Actor C. But Supplier A may supply components for the customer's maintenance, repair or operating requirements whilst Supplier B supplies similar components for use in production. Supplier A will be likely to supply small quantities of a wide range of components to meet the urgent or rapidly changing requirements of the customer's operating or development staff. Supplier B may be required to deliver large quantities of similar or identical components to those of Supplier A. But in this case they are likely to be charged at a much lower unit price and the deliveries will be timed on a "zero-inventory" basis to several production locations in different countries. Here the relationships of the Supplier A and Supplier B with the customer C are clearly different and they will not be seen as competitors by each other or by this customer, even though they*

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*operate in the same “product market.” In contrast, Supplier A may face competition in the mind of the customer from a company that does not make the same components but that offers to assess the customer’s maintenance requirements and provide a guaranteed level of maintenance inventory sourced from several suppliers. But this “competitor” will be unlikely to affect Supplier B’s relationship with the customer and will not be seen as a competitor by the customer.*

*However Supplier B may face competition from another company that does not manufacture components, but buys them from a number of sources. This company may offer to take over the production of the products that use components from Supplier B. This company may compete with Supplier B by seeking to change a particular part of the network structure.*

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Again we find that the cooperative dimension appears to provide a more complete explanation of the development of this network than that of competition. Thus, although competition may provide a potential explanation of why the third relationship did not develop, we would expect that it is the absence of potential cooperative gains in relating the resources and activities of B and C that provides the main explanation.

***Network Structure4, Relationships between only one pair of Actors:***for example A with B,so that Actor C has not developed a relationship with either of the two other actors. There are two possible explanations for this development: The first is that C is so unrelated to both A and Bthat there are no reasons for either A, B or C to seek interaction to develop a relationship involving C because the costs of developing interaction into a relationship are too greatcompared to its potential benefits.This is probably the most typical reason for not

developing a relationship in the business landscape<sup>6</sup>. The second explanation is that C is so similar to A that B regards it as an alternative. Thus C would have been in competition with A for B's attentions. But in this case, B has chosen to work with A and C is excluded.

This situation in which C is excluded as an alternative in competition with A is certainly common in the business landscape: In most situations companies have alternatives to the counterparts they choose to work with, at least initially and the resources that they have available for development and the costs of adaptation will influence their counterpart choices: There are only a few that can be selected. Resource limitations for relationship development, the similarity between potential counterparts and the limited importance of the issues that counterparts may address all mean that there is always open space in the network in which no significant relationships have developed.

Business relationships always involve selection and selection involves the potential for competition among actors. All actors compete for the attentions of others. None is certain to be chosen, or relationships developed. But it is likely that the choice of a particular counterpart will be made on the basis of the perceived potential for cooperation within that relationship rather than the potential to achieve relative advantage over a third party through competition.

Relationship choices are not unilateral and always involve both counterparts: When choosing you also have to be chosen. Relationship choices are also likely to be long-term as they lead to investment and adaptation by the participant actors and this reinforces the orientation towards the potential benefits of cooperation within a relationship rather than the wish to

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<sup>6</sup> We have previously noted in this paper the findings from our research of the complex pattern of relatedness that stretches across the business landscape. This universal relatedness means that all actors are subject to indirect effects from many other actors and relationships. Hence "independence" in this context is a matter of degree.

achieve negative outcomes for others. The time taken to make relationship choices is also likely to be protracted. This is because of the extent of commitment that is involved and the amount of initial investment and adaptation that may be required. This initial investment and adaptation is likely to be fuelled by commitment between potential participants on both sides of the relationship. But initial commitment will also be fuelled by the development potential of the relationship for the participants and its connections to others.

Thus, our theoretical analysis indicates that competition in the business landscape is likely to take the form of a basic variable which sets the scene for interaction particularly in the initial stages of relationship development, rather than being the key driver of business interaction.

### **COMPETITION, COOPERATION AND MANAGEMENT**

Empirically, the structure of an actor's small world in the network will take the form of a combination of each of the three possible structures that we have outlined. Thus all actors will exist within triads of relationships as in Structure 2, such as that encompassing a customer and two of its suppliers, which also have a development relationship with each other. Similarly, all actors will have dyadic relationships with actors that do not have relationships with each other as in Structure 3. This structure commonly exists in the case of a single supplier and two of its customers or suppliers. All actors will be in relationships which exist in proximity to other actors with which neither of the actors has a direct relationship as in Structure 4. In this case, the third actor will have its own relationships with others in the small world and what happens here will affect the single relationship. An obvious example of this interaction is in the technological development that the third actor may be involved in with others. Another example of this situation occurs when the third actor may evaluate one or both of the other two on the basis of the comparisons it makes with its other relationships elsewhere. In this situation the two actors in the relationship may seek to

influence the counterpart's evaluations of third parties. Finally, all actors will simultaneously operate in that part of network space in which they have no relationships with others as in Structure 1. This situation is likely to exist in that part of a network where the actors present closely similar alternatives that address a narrow range of relatively insignificant issues for counterparts so that the costs and benefits of relationship development are not worthwhile. However in all four structures and with whatever pattern of relationships exists, the three actors are related to each other and all interact.

The interaction process in each of the four theoretical structures that we have discussed is subject to the managerial interventions of actors that we have referred to as *networking*. All networking whether as initiative or response takes place within the pre-existing structure of relatedness, which is itself the outcome of previous networking and relationship evolution. Business in networks requires managers to operate in a combination of the four network structures. Managers in the business network do not operate in a fixed environment which consists of a particular level of competitive intensity. To paraphrase the language of the market, they are not "network takers" but to a considerable extent they are "network makers". Actors are free to see the surrounding actors as they want, whether as competitors or as potential counterparts: Competition is actor specific and each actor defines for itself which actors are competitors by identifying them as alternatives. An actor may take a wide view of its small space, viewing many actors as alternatives or take a narrow view. This identification includes those actors with which it has relationships; for example, Actor A may regard B and C as competing alternatives in its interactions. It may also take the view that its interactions with each of the other two should be competitive and approach its interactions with some or

even all its counterparts as a zero sum game. In contrast, other actors may be more generally predisposed to develop relationships with most of their counterparts<sup>7</sup>.

Managers face a complex and differentiated business landscape in which it can be very difficult to make a judgement of the structure of existing relatedness. In many situations are also mixed relationships: For example one company in UK was both supplier, customer as well as competitor to a Swedish multinational company. Increasing specialization by actors is likely to make this situation more frequent. More generally, actors commonly compete with counterparts in some aspects of their interactions and cooperate in others.

### **CONCLUSIONS: COOPERATION AND COMPETITION.**

This paper started from a question: Why have we neglected the apparently central concept in business during our forty years of research? There are two major reasons for this:

Firstly, faced with the complexity of the structure and process of the business landscape we chose to examine the cooperative aspects which had been underexplored, at least since the days of the earlier research into our subject. Our early empirical work demonstrated to us the complexity of the cooperative interaction, of problem solving and investment between actors. This view contrasted with the predominant view of business as something built on the unilateral decisions and strategies of independent, more or less self-sufficient companies, both customers and suppliers. Through our research we aimed to correct what we believed to be both a restricted and an erroneous view of the nature of business that was apparent in the literature on “industrial marketing” and “industrial purchasing”. Further, we were overwhelmed in our early studies by the extent, complexity and effects of cooperation that seemed to exist and that was manifested particularly in informal adaptations. In particular, we

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<sup>7</sup> Empirical research has produced numerous examples of this diversity on both a national basis and within industries.

saw that the pattern of joint or at least mutual development as the primary means of advancing technology. The complexity of business networks and of the relatedness within them made it clear that simple categorisations of business actors into manufacturers, distributors, retailers, suppliers, customers, competitors or collaborators restricted understanding. For this reason, we looked for an alternative way to describe and analyse the structure and process between actors, activities and resources. Hence, our orientation developed into a rather complex view of the structure and process that existed between companies. This view emphasised the incomplete character of these companies, the permeability of their boundaries and their incompleteness. More simply we saw that companies worked together, to develop to adapt and to bet their future on the success of their counterparts. It was clear that their core business assets were their relationships on which every aspect of their business was based, whether acknowledged or not. They chose to be dependent on others. We were conscious that this dependence was not based on contracts and that conventional accounting gave a very inadequate picture of what happened between companies.

But there is a second reason for our concentration on cooperation, adaptation, development and our neglect of conflict, competition, strife and business warfare. This is simply because we found that competition provided a very limited explanation for the process of network evolution and relationship development. Of course competition exists in the business network and it can be a powerful motivator for managers and an influence on their behaviour. But it appears from our empirical and theoretical analysis that it operates as a background variable. It is a default when things go wrong in interaction. Competition exists on two levels in the business landscape: At the macro level competition forms the basis of advantage seeking at the expense of others in a small world or more widely. This occurs in those parts of network space where no relationships exist as we saw in Structure 1. At the micro level, competition might be an important variable

in situations with weak interaction where a pattern of relationship development and commitment has not been established. At the micro level, business networking by all actors involves them in seeking benefits within and between their existing relationships. All actors have to decide how they will approach the timing and relativities of their own and their counterpart's costs and benefits. All actors are likely to seek the best outcomes for themselves within the constraints of relationship development. However, our theoretical analysis and empirical experience have demonstrated that the benefits of relationship development manifested in activity specialisation, resource path and actor co-evolution confirm cooperation as the main driver of corporate development and network evolution.

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