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CONSENT IN BUSINESS NETWORKS

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Abstract

This study investigates *consent* as part of the interactive process between business actors. The interactive process consists of a plethora of initiatives addressed to currently identified problems, responses to the initiatives of counterparts, and re-responses that constrain, enable, encourage or facilitate counterparts' moves both simultaneously and sequentially. We argue that the effects of actors' moves are conditioned by the nature of the consent given by counterparts embedded in business relationships. We use manufacturer-retailer networks as the empirical field to describe the nature of counterparts' consent and to illustrate the process of consenting in business networks. Both the nature and process of consent are highly relevant in today's interactive business landscape. We elaborate on a number of relevant theoretical and managerial implications of consent in networks and discuss avenues for future research.

1. INTRODUCTION

This paper aims to develop an interpretation of consent as part of the process of initiative, response, and re-response by business counterparts that are asymmetrically interdependent and idiosyncratically capable. We use the term *consent* to describe an interactive assent that may take a variety of forms and include both moral and instrumental components. As a moral component, the idea of *consent* treats parties as actors that bring with them certain entitlements or rights into their relationships with other actors (Barnett, 1986, 1992). Through their interaction with others, business actors may consent to the transfer of some these entitlements (Biggart and Delbridge,

2004). In this way, the exercise of consent provides a moral principle that allows us to differentiate between valid and invalid exchanges in business relationships. For example, theft or an exchange under duress would be invalid because these actions are, plausibly, not based on the consent of counterparts. As an instrumental component, consent operates as a way-station through which counterparts allow, authorize or acquiesce to the *proposal* of a counterpart willing to cooperate or reciprocate sequentially or simultaneously. We also use the term *networks* as a metaphor to account for the wider connectivity and interdependence among business counterparts who engage in consent (Anderson, Håkansson, & Johanson, 1994; Uzzi, 1997; Uzzi & Lancaster, 2003; Achrol, 1997; Achrol & Kotler, 1999).

Previous research in business, economics and law (Mnookin, Peppet, and Tulumello, 2000; Susskind & Landry, 1991; Buchanan, 1975; Barnett, 1986; Mouzas & Blois, 2013) provides compelling evidence that counterparts' mutual gains are maximized only if interaction involves an actual meeting of minds (Kronman and Posner, 1979). In other words, value is maximized when interaction is based on informed and voluntary consent; hence, a business agreement that is not based on consent may not be sustainable (Sebenius, 1992). Nevertheless, scholarly work emphasizes actors' tremendous difficulties to reach consent (Fisher and Ury 1981; Raiffa, 1982; Lax and Sebenius, 1986). In today's world there is no shortage of actors' inability or unwillingness to reach consent as evidenced by the overabundance of disputes, conflicts, litigations and wars. Building on recent advances in psychology and neuroscience research, scholarly work has broadened its perspective to encompass people's preconceptions and errors in judgments (Kahneman & Tversky, 1979; Kahneman & Tversky, 1984; Bazerman *et al*. 2000; Bazerman & Neale, 1992). For

example, today's behavioural studies provide intriguing insights into actors' biases and errors, such as the hyperbolic discount of future, anchoring or overconfidence (Laibson, Zeckhauser, & Tversky 1998; Glaeser *et al*. 2000; Bazerman, Baron, & Shonk 2001; McClure *et al*. 2004). This scholarly work unearths the value of overcoming disputes and conflicts but considers the challenge of consent as a cognitive choice or as autonomous decision-making. But existing research does not sufficiently explain how consent is reached within interactive business relationships. Rather, previous research raises a number of important questions: what is the nature of consent in the business context? What is the underlying process of building consent and how can that process be analysed or even managed?

We argue that one of the missing pieces of the puzzle of consent is the central role of interaction. We posit that business actors are not autonomous in their actions; their choices (and their approaches to counterparts) are based on their limited understanding of the plethora of related business interactions which take place across network *space* and over *time.* These interactions are composed of multiple initiatives which aim to address identified issues or problems, together with responses and re-responses to the initiatives of counterparts. These initiatives constrain, enable, encourage or facilitate counterparts' moves both simultaneously and sequentially. More fundamentally, the effects of actors' moves are conditioned by the nature of the consent given by the counterparts with whom they are embedded in business relationships. Thus the process of building consent is not an instantaneous event that involves hard edges of yes or no choices (Susskind, McKearnan, & Thomas-Larmer, 1999; Islam & Susskind, 2012).

We use manufacturer-retailer networks as an empirical field in which to provide illustrations of the nature of counterparts' consent as well as the process of consenting

in business networks. Both the nature and process of consent are relevant in today's interactive business landscape because a great deal of business activity occurs through partnerships, alliances, collaborations and various forms of continuing business relationships. We will explore the nature and process of consent in business networks and elaborate on a number of relevant theoretical and managerial implications.

2. FROM CHOICE TO CONSENT

The intellectual lens that has prevailed in social sciences throughout the twentieth century is the science of choice (Williamson, 2002). The science of choice presumes that actors make choices that maximize their utility. Accordingly, individuals would make choices that maximize their personal utility while companies make choices to maximize profits. This intellectual lens has shaped our way of thinking by relentlessly looking at action rather than *inter-action*. James Buchanan (1964, 1975) was among the first scholars to recognize that the discipline of economics was preoccupied with the science of choice instead of examining how actors achieve the "mutuality of advantage from voluntary exchange" (Buchanan, 2001, p. 29). Today, four decades later, the science of choice is still pervasive in behavioral economics, neuroscience, consumer theory, psychology and managerial theory.

The main idea behind the rise of the science of choice is that of *free will*, a central idea of the British Enlightenment. Free will is regarded as the ability of individual actors to make certain choices unconstrained by others. For example, the idea of free will would imply that individual actors' commitments are legally enforceable because

the actor has willed or chosen to be bound by his commitment. In this way the law gives expression to and protects the will of the people, for that will is axiomatically worthy of respect (Markovits, 2004).

So, what is the problem with the science of choice? The problem is that the idea of choice assumes actors' autonomy and ignores connectivity and interdependence between actors. Moreover, the science of choice ignores that the will of people co-evolves with the will of others with whom they co-exist. Actors are not autonomous but embedded in networks of interconnected relationships (Ritter, Wilkinson & Johnston, 2004) and they depend on the resources and capabilities of other actors to achieve their ends and to solve their problems (Håkansson & Ford, 2002; Håkansson & Waluszewski, 2007a, 2007b). To be able explain how actors exercise their will in conditions of interdependency, choice must be accompanied by some other factor. This other factor is consent.

In his introduction to *a treatise of human nature*, David Hume claims that science needs to be based on *observation* and *experience* as the foundations of a logical argument (1738). Let us start with three observations and then review the existing experience of how these three observations interact with each other to produce the phenomenon of consent that we study. The first observation is that the resources that business actors require to address their problems are not evenly distributed among all actors. Resources are heterogeneous in the sense that they differ from other resources. But resources are also heterogeneous in the sense that they are unique in specific contexts and in their association with others. In other words, the usefulness and value

of physical, informational and monetary resources will depend on the specific combinations and use situations of which they form part. Hence, individual actors have access to different and unique capabilities and preferences in different situations. The second observation is that these required resources are not available in an aggregated form; business actors can only access and adapt the resources they need through multiple, but specific interactions with other actors within particular business relationships.

The third observation is that resources are linked to the rights of actors and these rights are often expressed as entitlements protected by formal legal institutions. In other words, an actor's entitlements give it the right to exclude others from a particular resource. This function of exclusion is vividly illustrated by Blackstone's hyperbole as "that sole and despotic dominion which one man claims and exercises over the external things of the world, in total exclusion of right of any other individual in the world" (Blackstone, 1766 p. 3). It appears that the institution of ownership of resources offers some practical advantages. Ownership of resources matters because it allows an actor to internalize externalities associated with the use of resources (Demsetz, 1967). One might ask, how did actors acquire these entitlements to resources? John Locke (1988, 1690) hypothesized that in the beginning all resources were held in common. Entitlements came into being when actors combined their labour with some elements of these common resources, e.g., the use of land for agriculture and farming. Therefore, John Locke (1988, 1690) argued that most of the value of an appropriated resource such as land or water can be traced back to the labour that was spent to appropriate that resource. Historically, these entitlements evolved through the movement of populations, wars, technological developments and interactions among actors. In our study of consent in business networks, we posit that

actors bring their entitlements to *adapted resources* into a business relationship with others and they may agree to transfer or further adapt these entitlements in a variety of interactions with those of others according to the specific relationship context and the rules that govern that relationship.

Counterparts' mutual gains are maximized only if their interaction involves an actual meeting of minds (Kronman & Posner, 1979; Buchanan, 1978, 1988). In other words, the total value for counterparts is maximized when the interaction is based on mutual, informed and voluntary consent. Consent matters in business relationships because it is through interactive consent that resources are combined, changed or transformed. In this way, consent has instrumental and moral components. As an instrumental component, consent operates by allowing, authorizing or acquiescing to the proposal of counterparts to combine resources that they are not otherwise entitled. As an instrumental component, consent can be seen as the foundation of contracting among actors (Barnett, 1986). The moral component of consent legitimizes interaction. More profoundly, consent distinguishes between valid and invalid resource transformations (Barnett, 1986, p. 270). Consent specifies how resources are acquired, used or transformed (Steyn, 1997; Schwartz & Scott, 2003) whilst the manifestation of consent will establish a "relation of recognition and respect" among those who decide to participate (Markovits, 2004, p.1417). The absence of consent may lead to widespread and uncontrolled violence and theft of physical and intellectual resources, methods, innovations or designs, without any reward to the owners of those resources. Therefore, companies seek to protect their resources with entitlements, such as property rights, copyrighting, patenting or by keeping the resources secret and inaccessible to others. Consent treats counterparts as actors that bring with them entitlements (Foss & Foss, 2005) to an exchange system (Biggart & Delbridge, 2004)

and manifest their consent (Barnett, 1986) about how their resources could be used. The use of another's resources that is not based on a genuine consent is not sustainable over time. This applies to physical resources as well as intellectual and knowledge-based resources (Håkansson & Waluszewski, 2007a; Mouzas & Ford, 2012). Specifically, knowledge-based resources are a critical factor in determining firms' competitiveness because knowledge can be seen as a 'non-rival good', meaning that the use of knowledge by one actor does not limit its use by another (Cornes & Sandler, 1986; Romer, 1990).

Because consent is an intrinsic part of interaction, it can take a similar variety of forms as wider interaction itself. Thus at one extreme, consent may be a single acquiescence at a particular point in time to a counterpart's proposal, involving limited or major adaptation by either or both counterparts in interaction (Brennan & Turnbull, 1999). Both the request for and the giving of consent may be clearly articulated or implied. In contrast, consent can bean iterative and cumulative process involving multiple and evolving proposals and counterproposals over time and in a variety of contexts. Cumulative consent is evidenced in the business landscape in the process through which counterparts eventually become "preferred" or "strategic" suppliers or customers for each other. In this way, consent may be simultaneous or jointly given. Finally, consent may be limited in its proposals or effects to within a dyadic interaction or may have widespread effects on other interactions and the actors involved in them.

Empirical evidence from business negotiations (Schelling, 1960; Susskind et al.,1999; Mnookin et al. 2000) confirm the validity of these observations but bring to our attention that the experience of interaction is often an imperfect approximation of an actual meeting of minds. Business actors are likely to take calculated positions which they may change over time as problems emerge and actors' interests become more or less apparent (Lax & Sebenius, 1986; Sebenius, 1992). The positions taken by actors are based on their view of the issues or problems which they and/or others should confront, when to confront them and how to confront them. For example, actors' approaches to interaction have been documented within manufacturer-retailer interactions as a process of agenda-setting or issue selection by counterparts for their regular review meetings or similar occasions (Ford et al. 2003; Mouzas & Ford, 2006, 2010, 2012). But existing research has also suggested that changing the process through which issues are addressed within relationships or new relationships are developed is rather problematic. Actors' approaches are not autonomous but centre on whether and when they should consent (or concede) to follow the direction indicated by their counterpart's initiative or expertise, or seek their counterpart's consent to a direction that relates to their own interpretations or interests (Hakansson & Ford, 2002). Business counterparts will seek the consent of their counterparts to directions which accord with their interests and the available options in their surrounding network (Mouzas & Ford, 2003). Achieving consent is likely to involve business actors in in teaching and learning, directing and following (Araujo 1998; Baraldi & Waluszeski, 2007; Bygballe, 2005; Gadde & Snehota, 2000; Håkansson, Havila & Pedersen, 1999; Håkansson & Johanson, 2001).

Actors' initiatives are not mutually exclusive of each other. Initiatives may be taken simultaneously by a number of individual actors in both of the counterparts in a relationship as they address a number of their own problems or issues raised by their counterparts. The implication of this is that each of the initiatives in any one company is interdependent with the initiatives and responses of counterparts.

The sheer scale of connectivity and interdependence among actors, resources and activities suggests that business actors will experience *uncertainties* in addressing particular problems in ever-changing and complex circumstances. Actors' perceived uncertainties and the severity of their problems will affect their ability to consent to an offer of their counterparts. But the complexity of business problems will also increase the practical value as well as the reassurance provided to actors by the consent of their counterparts (Håkansson, Johanson &Wootz, 1976; Ford et al., 2003; Ford & Mouzas, 2010).

3. CONSENT WITHIN THE INTERACTIVE PROCESS

A starting point for the development of a theoretical structure for the study of the process of consent is to consider the three layers of a business relationship: Activities, Resources and Actors (ARA) (Håkansson & Snehota eds, 1995). Each of these layers forms part of a larger pattern of activities, a constellation of resources and web of actors that stretches across business networks. These patterns, constellations and webs contribute to the unique position of each actor with respect to the resources and activities of direct and indirect counterparts. This unique position and the influences

that arise from it mean that each actor's consent will have unique characteristics. Further, the continuity of interaction and the importance of precedent (Duxbury, 2008) mean that each actor's consent will be unique at any point in time. For these reasons, our proposed framework for analyzing consent relates the layers of activities, actors and resources to the variables of network space and time..

Consent within Network Space

Consent in all its forms is an integral part of the process through which the interdependent activities of counterparts are adapted (Thomson, 1967; Richardson, 1972; Gadde & Håkansson, 2001). Similarly, the value of heterogeneous and idiosyncratic resources will depend on their context, the resources with which they are combined and the ways that they are adapted within business networks (Krugman, 1991; Håkansson & Snehota, 1995; Lundvall, 1988, 1992; Leonard-Barton, 1992; Lundgren, 1994; Laage-Hellman, 1997; Malmberg & Maskell, 2002; North, 2005). The characteristics of actors are an outcome of their interactions with others (Goffman, 1959, 1967; Blumer, 1969). The discretion of actors is subject to the consent of counterparts. The choices that they make and their individual and corporate development are influenced by the consent of others. One important example of the influence of consent is in the division between the common and separate operations of actors, referred to as their *jointness* (Ford & Håkansson, 2006). Jointness is demonstrated in various organizational forms such as when actors are involved together in technological or logistical development.

Consent within Network Time

A common effect of developing consent over time is an increase in the *specialization* of the activities undertaken by counterparts (Dubois, 1988; Hulthen, 2002). Of course the withdrawl of consent can weaken that effect. Similarly, the giving or withdrawl of consent between counterparts will become apparent in the *path* of development taken by interacting resources over time (Johanson & Wootz, 1986; Arthur, 1988; Hughes, 1987; David, 1985; Dosi, 1982; Dosi, Freeman, Nelson & Soete, 1988). Finally, the reciprocal giving and receiving of consent influences the way that actors *co-evolve* over time (Thibaut & Kelly, 1959; Koza & Lewin, 2003; Volberda & Lewin, 2003). Co-evolution does not imply that actors necessarily develop consensual relationships with each other; rather that the direction of development of an actor will be affected by the consent of others with which the actor interacts.

Double-Edged Dialectics in Space and Time

The two descriptive dimensions of space and time are in an interactive relationship: The space dimension circumscribes the relative position of a consent from which evolution may be tracked; the time dimension provides an explanation of what has brought the network process to that position. The evolution of consent wihin a particular relationship cannot be fully explained in terms of what happens within the process itself without considering the effects of evolution within the wider activity patterns, resource constellations or actor webs. Nor can consent in business networks at any time be explained without considering the evolution of actors, activities and resources that have led to that consent.

4. STUDY OF CONSENT IN MANUFACTURER-RETAILER NETWORKS

4.1 Methods and Setting

The present empirical study investigated the phenomenon of consent in the context of manufacturer-retailer networks in Germany. These networks comprise fast-moving consumer goods manufacturers, such as Mars, Kellogg, Nestlé, and Unilever, and retailers, such as Wal-Mart, Metro, Rewe and Lidl and Aldi (Villas-Boas & Zhao, 2005; Hingley, 2005). These networks were chosen for investigation of consent because they are a significant part of the German economy, being the largest manufacturer-retailer network in Europe and generating an annual turnover of €120 billion in a market of 82 million consumers. One of the most intriguing empirical findings during this investigation was the observation that because of the complex connectivity and interdependence within manufacturer-retailer networks, the giving and receiving of consent does not squarely fit with the idea of free will. Moreover, the process of achieving consent in networks is not an instantaneous event; instead, we observed that consent formed a varying element in a plethora of unpredictable interactions in space and time. This first finding encouraged closer examination of a range of initiatives taken by manufacturers and retailers to address existing problems and issues, responses to the initiatives of counterparts and re-responses which constrain, enable, encourage or facilitate counterparts' moves both simultaneously and sequentially. By using case study research methods (Yin, 1985; Tsoukas, 1989; Ragin, 1992; Easton, 1998; Eisenhardt, 1989; Halinen & Törnoos, 2005; Gibbert, Ruigrock & Wicki, 2008), the research looks at the interactive processes through which consent develops and is employed in networks. The case study method is

particularly suited to the purposes of the present research because we investigate a "contemporary phenomenon within its real life context, where the boundaries between phenomenon and context are not clearly evident and in which multiple sources of evidence are used", (Yin, 1994, p 13). The interviewees included business managers such as Business Unit Directors, Category Managers, Information Technology Managers, Sales Directors, Purchasing and Supply Directors and Key Account Managers. The unit of observation and analysis that bounded a 'case' was a network of exchange relationships between manufacturers and retailers in the snack food business. We logged 78 field observations (including impromptu chats and meetings) about the nature and process of building consent into a field-tracking system shortly after they occurred. These were entered into a "chronological events list" which served as a filter or index to the wider set of observations. This list was crucial in the collection of empirical evidence because it helped us to carry out a closer examination and triangulation of primary data. We also made periodic entries into a field diary to supplement the collection of more formal material about the agreements gathered; these diary entries also provided reflections on the research as a whole. This is a real-life case study; we kept the authentic names of all counterparts but disguised the names and characteristics of specific brands to protect their confidentiality. When the first draft of the case was finalized, feedback interviews with the senior managers were conducted to check our interpretations. This feedback proved extremely relevant in fine-tuning our interpretations and testing the internal validity of our findings.

Our data analysis encountered three major challenges, namely the problems of network complexity, time and comparison. Interactions between companies are exceedingly time-consuming: they are individualized and often recurrent. For this

reason, we focused on two producers of snack-food products and two major retailers operating in the German retail market and analyzed the dynamics of the observed network as well as the inter-connections in clusters to generate reliable comparisons.

We used the Activities, Resources and Actors (ARA) model suggested by Håkansson and Snehota (1995) as a theoretical structure to analyze our observations in space and time. The purpose of our analysis was to identify the mechanisms that generated the events that we observed in manufacturer-retailer networks over time. The method of inference by postulating mechanisms which are capable of generating the events we observed is referred to as 'retroduction' (Bhaskar, 1978; Sayer, 1992). Therefore, we re-categorized our empirical observations in space and time according to the ARA model and classified them according to the chronological events list that we used in our data collection. This systematic and guided process of data analysis allowed us to connect concrete empirical observations with abstract theoretical notions.

Can we generalize on the basis of a case study? Concluding on the generality of this study, we need to distinguish generality from recurrent regularities. The generality of this study on consent is ascribed to the 'operation' of mechanisms that produced the observed events. Mechanisms may 'act in their normal way even when expected regularities do not occur' (Tsoukas, 1989 p. 551). They are triggers that answer 'why' certain events occur. For this reason, mechanisms differ from the deterministic or stochastic association of events. Rather, they are necessary causal powers or mechanisms of acting in a set of contingencies (Pawson & Tilley 1997, p. 69).

4.2 AN ILLUSTRATIVE CASE

Figure 1: Simplified Business Network

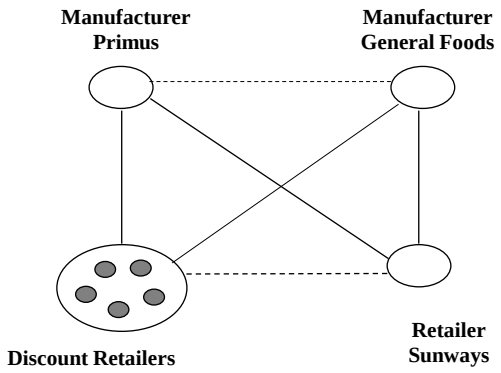

Figure 1 represents part of a simplified business network that consists of two manufacturers of fast-moving consumer goods and two grocery retailers in Germany. Manufacturer Primus is a successful multinational fast-moving consumer goods manufacturer that built its business on the basis of full-priced premium brands in the product category of snack foods. Primus has invested heavily in research and development of innovative snack foods and in creating brand awareness and brand image for its brands. In contrast, its main competitor manufacturer General Foods is of national importance in many product categories of food. General Foods has highly developed production as well as research and development facilities but has only weak brands in the category of snack foods. As a generalist producer of value products, General Foods produces private labels for a number of Discount Retailers. Private label business brings volume but is generally less profitable than marketing manufacturers' own brands. Discount Retailers possess property rights over private

labels and thus dictate all terms and conditions in their manufacture and sale. Sunways is a grocery retailer with a focus on large hypermarkets and a diversified assortment of products.

Sunways' financial performance deteriorated following the economic crisis of 2008. Consumers' price sensitivity increased dramatically after 2008 and Sunways trace back their dismal performance to their loss of competiveness and the rise of demand within Discount Retailers. This was not a new problem for Sunways as the discount segment has been increasing its share in recent decades. Discount Retailers' assortment of products currently consists of 80% private labels offered at 60% of the full price of the branded products which they still have in their assortment. Sunways' new management team, appointed in 2008, has been committed to restoring their hypermarkets' competitiveness and has emphasized private labels as a way to offer competitive prices and regain consumer preferences. Sunways does not have manufacturing capabilities and needs to be involved with innovative and flexible manufacturers capable of delivering their requirements. Retailer Sunways was reluctant to ask manufacturer General Foods to produce private labels for them as General Foods have already been producing for their competitors, the Discount Retailers. Sunways' new management chose Primus because they viewed the manufacturer as a world-leading innovative company. Nonetheless, Sunways knew that manufacturer Primus' policy was to build its own strong brands and not to produce private labels for other retailers. Primus can be characterized as *Markenartikler* (manufacturer of brands) and not simply a *mere producer* of products. Sunways needed Primus' consent in producing private labels. The subsequent interactions between Sunways, Primus and General Foods can be outlined as follows:

May 2009, Retailer Sunways: Sunways' Category Manager Franz Josef developed contingency plans to boost private labels. Sunways' purchasing and finance departments worked out the financial implications of various price/volume options.

September 2009: Retailer Sunways and Manufacturer Primus: Sunways used its annual trade negotiations with Primus to point-out that the volume of business between the two counterparts was declining and that decisive action was needed to address consumers' increasing demand for private labels.

October 2009: Retailer Sunways and Manufacturer Primus: Primus' Key Account Director Klaus rejected Sunways' request to produce private labels arguing that they did not have permission from its US parent company. Instead, Primus' Key Account Director Klaus proposed the launch of a series of new innovative snack food products which allegedly would command a premium price.

December 2009: Retailer Sunways and Manufacturer Primus: Sunways rejected Primus' launch of new products despite the evidence of positive consumer off-take results in a test market. Moreover, Sunways delisted Primus' brands introduced in 2009 and Franz Josef renewed the request for a partnership in launching private labels.

April 2009: Retailer Sunways and Manufacturer General Foods: Although it was initially reluctant, Sunways invited General Foods to work with them in the area of private labels at the two companies' first quarter business review. The counterparts agreed to evaluate options and start negotiations as soon as possible.

June 2010: Retailer Sunways and Manufacturer Primark: By the time of the second quarter business review between retailer Sunways and Primus, Primus' business with

retailer Sunways had reduced by 25% from the previous year. Sunways Category Manager Franz Josef notified Primus' Key Account Director Klaus that the manufacturer was about to lose the status of "Category Captain".

July 2010: Retailer Sunways and Manufacturer Primus: Primus continued to lose business with retailer Sunways. Primus' Key Account Director Klaus felt captive within the existing business relationship with retailer Sunways. It was not only that Sunways delisted some Primus' brands and that the business with that retailer was declining. Klaus felt that the manufacturer was prevented by Sunways to pursue and develop their business of full-priced premium brands in the product category of snack foods. As there was also no joint vision or prospect for agreeing a joint course of action with Sunways, Primus' Key Account Director Klaus attempted to develop business with other retailers, such as petrol stations, Hotel/Restaurants/Cafes (HORECA) as well as convenience stores. The effort appeared to be rewarding in terms of promised business volume but the profitability of the new business was considerably lower than the business with retailer Sunways because of the increased logistics and sales costs of obtaining and managing business with smaller and geographically dispersed outlets.

September 2010: Retailer Sunways and Manufacturer Primus: Primus' Key Account Director Klaus advanced a new business proposition for retailer Sunway at their annual trade negotiations for 2011. This involved the launch of an exclusive mega-pack product that was not available in other stores. But manufacturer Primus' proposal was rejected by Sunways' Category Manager Franz Josef on the grounds that the proposition would not help Sunways compete with discount retailers.

October 2010: Retailer Sunwasys and General Foods: Sunways' Category Manager Franz Josef had been surprised by General Foods' willingness to work with them on exclusive brand development of Sunways. The proposal by General Foods was that it would assume all research and development costs and the developed brand will be sold exclusively by Sunways. Franz Josef welcomed the initiative but a few days later Retailer Sunways formally rejected General Foods' business proposition because the intellectual property rights for the brand would not be transferred to Sunways.

December 2010: It became clear to the two counterparts that they needed each other and both wished to avoid starting 2011 without an agreement between them. Both counterparts realized that each party needed to give their consent to other:

Retailer Sunways and Manufacturer Primus:

Manufacturer Primus would produce an exclusive mega-pack for the Sunways at a permanently low price and, in return, the retailer Sunways agreed to distribute all Primus' new products.

Manufacturer General Foods and retailer Sunways:

General Foods would develop and produce an exclusive brand for retailer Sunways that is offered at 60% of full price brands. Research and development costs would be shared and intellectual property rights would remain with the manufacturer for the first five years and would be transferred to the retailer as of January 2016. Nielsen consumer off-take data (2-months panel) in March 2011 indicated that Sunway's exclusive brand and mega-pack offer were effective in gaining strong consumer demand.

September 2011:

Discount Retailers were wary of the development but adopted a "wait-and-see" attitude. By September 2011 these Discount Retailers had increased the share of their assortment which was accounted for by those manufacturer brands which had strong consumer demand, so that the listing of manufacturer brands among Discount Retailers rose by ten percent.

ANALYSIS OF THE CASE

Manufacturers Primus and General Foods and retailers Sunways and Discount Retailers in this case operated within a complex set of interconnected and interdependent relationships. Manufacturers and retailers jointly provided the resources to address consumer demand for quality branded products as well as value products at discounted prices. Companies were able to access the resources of others with which they had continuing and relatively stable relationships, not simply on the basis of their own choices but on the basis of a dynamic and interactive process of consent over space and time. For example, Sunways did not simply choose to enter the business of private labels. Similarly, General Foods did not choose to boost branded products and Discount Retailers did not simply reconsider their private label choices. Instead, the moves of different actors that we observe above the surface of events were subject to the consent of others that enabled, constrained or revised the actors' intentions. Specifically, the consents between retailer Sunways and manufacturers Primus and General Foods and the consent between Discount Retailers and their manufacturers were shaped by series of initiative-response-and-re-response dynamics in the spatio-temporal context of this manufacturer-retailer network.

Spacio-temporal Dynamics: The case centers on the problems of retailer Sunways that became evident in its deteriorating financial performance during the period of rapid growth of discount stores and products which followed the economic crisis of 2007/2008. In fact, the rise of private labels and Sunways inadequate response to the sector had been a problem for many years. But it was only after the economic crisis of 2008, the sharp deterioration of business performance and the appointment of a new management team that the company sought to address the problem with a major initiative in private labels. In order to address their problem, Sunways needed to be able to access the production facilities of manufacturers as well as their unique capabilities in research & development, consumer research, and marketing.

Interactive Process of Consent: The case highlights the interactive character of consent over space and time within which actors seek to address their problems through their relationships with other idiosyncratically capable actors. Table 1 illustrates this process and provides examples of the ways in which Activities, Resources and Actors themselves are reconfigured in space and time through the giving and exercising of consent. Firstly, new activities emerge and existing ones may be adapted as proposals are made and responded in continuing relationships. These proposals and responses maintain or alter companies' existing specializations. For example, we observe the initial reluctance of manufacturer Primus to agree to develop an exclusive offering for Sunways because Primus wished to remain a specialized provider of non-customer-specific, full-priced brands. The connection between relationships and specific proposals is illustrated by the Discount Retailers which were also starting to reconsider their own activities with regard to their own assortment of branded products. Because the resources that companies need are

heterogeneous and idiosyncratic, the development of Sunways' private labels as a valuable resource depended on which manufacturer would consent to their proposals. Similarly, the value of General Foods brand as a resource would depend on Sunways' retail resources in hypermarkets. These resources and the entitlements held over them are reshaped over time. For example, Primus consented to move from ubiquitous brands to a customer-exclusive offering and General Foods consented to the transfer of property rights to Sunways after five years. The evolution of consent also affects the characteristics of actors themselves in space and time as in changes in the characterization of Primus as a manufacturer of brands or General Foods' as simply a producer of products. As a result of the evolution of consent, manufacturers Primus and General Foods as well as retailers Sunways and Discount Retailers co-evolved and the jointness between companies is revised and roles are adjusted. In this case, co-evolution is evidenced in the continuous movement of retailers into roles traditionally performed by manufacturers and vice versa.

Table 1: Consent as an Interactive Process in Time and Space

	PROPOSALS AND RESPONSES IN NETWORK SPACE	EFFECTS OF CONSENT OVER TIME
RESOURCES	• The value of Sunways' private label depends on which manufacturer will consent to produce for it • The value of General Food's brand will depend on Sunways' retail resources • The competiveness of Discount Retailers depends on manufacturers' production capabilities and brands.	• Primus consents to move from ubiquitous brands to customer-exclusive offerings • Transfer of property rights from manufacturer to retailer after five years. • Sharing R&D costs and risks • Discount Retailers extend their resources towards branded products with strong demand
ACTORS	• Primus is initially characterized as manufacturer of brands • General Foods is initially characterized as product producer • Sunways is characterized as a full-assortment retailer • Discount Retailers are characterized as retailers of private labels • Jointness between General Foods and	• Long-Term Co-evolution of Primus, General Foods, Sunways, and Discount Retailers • Jointness between manufacturers and retailers affects roles • Contextual contingencies e.g. changes in consumer demand Counterparts' performance affect co-evolution

	Sunways is reshaped to account for situational circumstances	

5. CONCLUSIONS AND IMPLICATIONS

The brief case study presented in this paper highlights some aspects of the central role of consent in the processes through which companies operate in the business landscape. The case provides an example of network evolution through which multiple consents are sought, modified and given between variously interconnected counterparts. The case emphasizes the value of re-defining the concept of managerial choice away from its usual associations with discrete and independent action and towards the idea of choice being part of a continuing process of proposal, response and re-response. In this interpretation, business strategy involves managers in considerations of the patterns of interdependencies and heterogeneous distribution of competences in which they are enmeshed. The outcomes of managerial decision making are contingent upon the consent of their counterparts and this consent is not an instantaneous event with hard edges of yes and no. Instead, the study provides evidence that consent in business networks is an interactive process over time in which actors' activities and resources, and the actors themselves, co-evolve to produce the events that we observe. This interactive process of seeking, modifying and giving of actors' consent lies under the surface of observed events, which ostensibly appear as the result of actors' choice.

The complexity of the opaque process of business makes it easy for researchers and managers to underestimate the interactive and time-consuming nature of achieving

and exercising consent. This complexity also makes it easy to conceptualize business action as the development of ingenious programs that work and produce results. The study makes it clear that business actions are not simply programs that actors choose to implement. The success of actors' initiatives is triggered only in conducive circumstances which depend on the consent of counterparts. The centrality of consent means that achieving corporate success depends on providing the rationales and resources for other companies to react in compatible directions. Thus it appears that consent in business networks rests on some form of wholeness and coherence which is only likely to be achieved through heedful interaction. Productive consent requires the integration of contextual potentials and internal capabilities, the synchronization of short-term and long-term considerations, the co-existence of cooperation and competition, the harmonization of the general and the specific and the symbiosis of the past and the future.

Consent and Management

What are the managerial implications of these insights into consent? The present study offers three important lessons:

Firstly, consent evolves within a stratified process of heedful interaction in which the effects of actors' moves are conditioned by the nature of the consent given by counterparts. The role of interaction suggests that managers need to reverse the conventional sequence of taking positions, addressing issues and problems, and then often ignoring the interests of and their dependence on counterparts. Instead of taking positions first, they need to identify the hidden interests of their counterparts, address issues and problems jointly, and avoid taking positions prematurely. Further, the sequential and cumulative nature of consent giving and receiving suggests that

managers need to formally review the past and potential future effects of consent on activities, resources and actors themselves. The willingness to stand back and review evolving consents may enable managers to avoid the common problems often expressed as, "How on earth did we get into this position"!

Secondly, the study indicates that companies need to articulate and manifest their consent in such a way that their expectations are stated with certainty and predictability for their counterparts and that they include mechanisms for periodic re-negotiation (Mouzas and Blois, 2013).

Thirdly, managers need to be aware that while interaction will determine the process of achieving consent, the currency that they bring into this interaction process is their entitlements to resources. Companies' entitlements to resources are not restricted to the ownership of physical resources such as products, production capacities or the distributional resources. Entitlements include knowledge-based resources, capabilities, brands, patents and innovation. By building a pool of resources that is unique, creative and original, companies improve the currency that they bring to this interactive and time-consuming process of building consent in business networks.

Choice and Consent

The importance of seeking the consent of counterparts in the evolution of business does not remove the role of choice from the process of management or reduce its importance for business success. All business actors face clear choices about their overall approach to consent, the ways in which they will seek and give it and the variations in consent they will expect in different areas of their operations. Seeking the consent of others inevitably places limits on managerial discretion which managers are willing to accept to a greater or lesser degree. All management involves

a trade-off between retaining independence and flexibility at the expense of limiting access to or adapting the resources of others. Similarly, the giving of consent provides benefits to others and may involve costs of adaptation (Brennan & Turnbull, 1999). Business management requires clarity in complex and multiple choices between viewing business as a zero-sum game or one of mutual gain. The case study also demonstrated that consent is not a one-time event. Giving and seeking consent involves trade-offs between short and long term benefits for each actor and its counterparts. These trade-offs require managers to take a view of the evolution of their relationships and their wish to take or give short or long-term benefits. Finally, consent is not a neutral phenomenon and all consent exists within a framework of knowledge and understanding. All managers operate with consent on the basis of their own and their counterparts' abilities. All managers have to deal with consent based on the knowledge of their counterparts. Thus by consenting to be 'consciously stupid' in aspects of their operations, managers are able to develop productive inter-dependencies between themselves and others and to rationalize their respective resources and achieve gains in time.

6. LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

The current study has been limited to an investigation of consent in manufacturer-retailer networks. These business networks demonstrate a high degree of connectivity among actors that engage in continuing business relationships and depend on the resources of their counterpart retailers or manufacturers to address consumers' constantly evolving demand for products and services. It would be valuable to investigate the process of building consent in different contexts with different constellations of actors' connectivity and resource interdependence. For example, in a

number of business networks there is a co-existence of negotiation and auction elements (Subramanian, 2009, 2010). What kind of insights can we gain in business networks that display different levels of collaboration and competiveness? Voluntary and informed consent appears highly relevant in financial industries as well as in online transactions or mobile phone applications. As the constellations of actors, resources and activities vary in these industries, we may posit that the nature and process of consent will differ.

Future research needs to look at the moral and ethical components of consent that validate and legitimize transactions and as well as the instrumental components that allow actors to authorize or acquiesce to the proposal of counterparts. Capitalizing on our existing insights into the evolution of cooperation (Axelrod, 1984; Axerod & Dion, 1988; Nowark, 2011), future research may look at the impact of behavioral biases, such as bias towards immediate gratification and the neglect of the long-term, hyperbolic optimism, anchoring, overconfidence, problems in dealing with risk and uncertainty, availability bias as well as herd behavior in networks. Investigating behavioral problems in networks by using the intellectual lens of consent will offer the opportunity to escape the greatest research bias of our time, the bias that prevailed in social sciences throughout the twentieth century: the science of choice.

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