

# Shadow cone of strategizing in networks: influence and value creation in co-decisions

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## Working Paper

### Abstract

#### *Purpose*

This work aims at contributing to the advancement of network management studies addressing the networking relationships and the way in which they are connected with strategizing in networks context. In line with Ritter’s view concerning the management in network in contrast to managing of network, our paper intends to: 1) analyze the strategic process of firm in order to identify how the existing relationships influence and are influenced to support or develop the firm’s goals; 2) to explore the content and domain of these influences in terms of resources, activities and value processes involved; 3) to identify some research issues on how firms strategize in networks setting.

#### *Methodology*

The study combines a literature review with empirical insights. First, we review the main research stream that discussed about network and strategising. By highlighting some gaps we outlines three research questions which guide the empirical research.

The research strategy is a single case study. We chose to investigate a first level supplier of automotive network, as this industry is a remarkable example of changes in the relationships between the companies in it (Ben-Zvi, 2009). We approached the analysis of interview material with specific questions concerning: i) influence ii) value and iii) relations exploration and clustered it considering the relations and linkages between each other.

#### *Findings*

In finding a connection among value, relationships and influence we deepen the issue of strategizing in networks context and in order to reach this research aim, we focus on activities and resources more than actors as these two elements allow the firm to have a less restrictive view on the positioning that actors occupy in its surrounding networks and on the consequent opportunities and threats of interaction with. Moreover we identify the main aim of firm’s strategizing as supporting the value creating processes of different partners’ in networking integrated view. In addition, the strategy as ongoing and learning process had to support reflections on how firms influence and are influenced by each other over time as well as how they sustain or develop their positioning through resources’ and relationships’ exploitation and exploration in interaction. These findings make the strategizing a multiple construct becoming central in explaining how firms and partners interactively evolve in networks.

#### *Implications*

The study provides both theoretical and practical insights into the opportunity of firms to frame the strategy decisions into the wider perspective of networks context. We identify the matter of strategizing process of firm in networks concerning not only with how companies choose to organize their activities with partners (who does what) but how they manage interdependence in order to realize the existing potential for value co-creation in networks .

#### *Originality/value-*

In finding a fresh conceptualization of strategising in networks is suggested. It could provide to scholars and practitioners a working basis for understanding connections and implications of strategizing in a networks context. It offers a wide perspective to frame the strategy process of firm stressing the role of networks interactions at the basis of co-decision activities responsible of performance of firm and its networks.

**Key words** (max 5): relationships; strategy; networks; value.

## 1. Introduction

Since the Håkansson and Snehota's (1989) work manifesto "No Business is an Island", many contributions have advanced the network theory (Håkansson et al., 1989; Achrol, 1997; Fjeldstad et al., 2006) stating it is a theoretical framework well suited to depict the distributed, fragmented, and interrelated nature of the business phenomena.

The rising importance of network perspectives has attracted an increasing number of research efforts mainly arguing of network content and network structure as it regards the role of strong and weak ties and their relations to the structural properties of the network (Möller, 2005). Contrarily, the theme of strategic management has not always been an explicit and formalised topic. As Baraldi et al. (2007) observed the pioneering Industrial Marketing and Purchasing (IMP) studies are far from to establish organic studies on strategic management although they widely recognized the network influence and centralities in sustaining companies' competitive advantage and industry rivalry (Baraldi et al., 2007).

When discussed, the strategic management issue has been mainly focused on the ongoing debate that seen the Nordic research tradition (Håkansson, 1992; Håkansson and Ford, 2002) to counteract with the American strategic management perspective (Lorenzoni and Baden-Fuller, 1995; Gulati et al., 2000) arguing the manageability nature of network with a single hub firm providing direction and control.

Most recently a broad consensus has been emerging among self-organized concept of network, mainly advocated by Nordic school. The link among interaction, network and strategy or strategizing (Whittington, 1996) has been focusing a number of explicit and important efforts by IMP scholars. In contrast to strategic network perspective, the industrial network studies pointed out that behaviour of business actors is embedded within a network of interconnected relationships both restricting and enabling the strategic action of firm (Snehota, 2000). Ritter et al. (2004) further elaborate these ideas argued for a shift from managing *of* network to managing *in* network perspective and used the *strategizing* lexicon stressing the interactive, evolutionary and responsive character of strategy process (Håkansson and Ford, 2002).

While the prominent argument within the industrial network literature is mainly with the strategic relevance of business relationships and interactions, a specific definition of strategy as well as an analysis of strategy processes in a network context is only partially explained.

This work aims at contributing to the advancement of network studies on strategy (Möller & Svahn, 2006; Ritter et al., 2004) addressing the networking relationships and the way in which they are connected with strategizing in networks context. In line with Ritter's view (2004) concerning the management *in* network the paper intends to : 1) analyze the strategic process of firm in order to

identify how the existing relationships influence and are influenced to support or develop the firm's goals 2) to explore the content and domain of these influences in terms of resources, activities and processes involved; 3) to identify some research issues how firms strategize in networks setting.

The organization of this paper is as it follows. An overview of literature both on network concept and strategizing in network is in the first section, then research problem and methodology are formulated; main discussions follow the analysis of empirical results while the implications for strategizing close the work

## **2. Overview of network**

Network research and definition shifted in last two decades when authors started recognizing firms as part of multiple relationships and not only as part of dyadic ties. Relationships networks take form from dyadic relationships, because firms linked to partners of a dyad influence the dyad itself; so over the time there are subsequent adaptations (Axelsson and Easton, 1992; Håkansson and Snehota, 1995; Ford, 1997; Wilkinson and Young, 2002). In the same way Andersson, Håkansson and Johanson (1994) arrived to the definition of business networks.

Networks have been object of research and consequently classification over several years (since 80s) and the most spread approaches to this concept are two: strategic approach (from American authors) and interactive approach (from IMP and Nordic authors).

Before dealing this distinction in depth it is possible to describe the strategic approach as the sets of relationships of strategic significance for the firms entering them, as stated by Gulati, Nohria and Zaheer (2000). In this way of thinking resource-based view is central, as due to the necessity of particular typology of resources, firms join networks in order to create a particular set of resources useful to allow the achievement and the enforcing of a competitive advantage, whose value can be stronger if this set is inimitable and not readily substitutable (Peteraf, 1993). The capability employed to create a relationship and generated inside its management is an asset itself (Fiocca and Snehota, 1986) and it is useful to further develop the web of relationships. Moreover linkages are resources themselves, even if they can also have a dark side (Gulati and Lawrence, 1999). Differently, interactive approach from Nordic scholars is based on the idea of relationship arising from the necessity of resources led to consider only buyers and suppliers as actors of network in the past, while the web of relationships has been considered wider according to the Nordic approach presented as ARA model too. In this model there are three pillars used to illustrate a network: actor, resource and activity. Around these three elements firms get linked one another and they establish actor bonds, resource ties and activity links (Håkansson and Snehota, 1995)

In fact a business network is a set of connected actors performing different types of activities in interaction with each other (Holmlund & Törnroos, 1997). The most important contributions in this approach are related to IMP scholars. A notion is deeply analyzed in literature, as an actor can be seen as a firm or a different kind of organization or an individual; this latter can be fundamental in a linkage because of its role or of its capability in understanding the network (Möller and Halinen, 1999).

#### *Strategic approach and Interactive approach*

As it regards the structure, authors of the strategic approach defined network as a hierarchal structure, in which firms' internal hierarchy is disaggregated and rebuilt around a focal firm. This latter is often recognized as hub, because of its significant role inside the network and also because it is the firm that sets up the network in order to reach a strategic goal. Moreover the hub is considered as the subject taking care of the network and of its evolution (Jarillo, 1988).

Arising from the definition given to the network, researchers used to obtain a picture of the network, but often there is no an unambiguous picture, as it depends on the perspective chosen to draw it. In this approach the usual point of observation is the hub, whose position is central or at the top in a hierarchal view. The role of the hub is detected because of the power of this firm or the control applied; a direct consequence of this view is the identification of the passive role of other actors, in a sort of dependence from the hub.

Connections inside a strategic network are analyzed in terms of power, trust and social norms. Moreover in this view all organizations are internal networks and participate in external exchange networks in order to acquire resources and legitimacy necessary for survival and growth. According to Achrol (1997), not only exchanges define a network; in fact linkages are characterized because of their density, multiplicity and reciprocity, with the creation of a membership role for each firm involved in a network. These characteristics confirmed what has been stated previously by Hammarkvist, Håkansson and Mattson (1983) on the critical mass of relationships necessary to talk about a network. In particular, Achrol (1997) classified networks in four different categories: internal market networks, vertical market networks, intermarket networks and opportunity networks.

The increasing number of authors arises from Håkansson and Snehota (1989, p.183) contribution, talking about "not only triangular relationships, but also a complex entity involving many more participating organizations linked to each other" and from Håkansson (1997) network definition, based on all different forms of resources, knowledge and content of threads and nodes of the network itself.

This vision is useful to describe a network as a more intricate series of linkages containing suppliers, customers, competitors and non-commercial actors (Cravens et al., 1994; Håkansson and Snehota, 1995; Anderson et al., 1997). All relationships are aimed to the pursuing of firms' interests. Furthermore relationships are useful to generate interactions in which the flow of resources is shaped and each linkage can be useful to narrow network structure and network distance between actors (Johanson and Mattson, 1992).

The wideness of reasons to consider an higher number of firms inside a network is confirmed by Lechner et al. (2006), when they use a relational mix going beyond economic exchanges; the same effect was confirmed by the research made by Mouzas et al. (2007), in which firstly a network is recognized because of exchange relationships, and secondly as a result of a set of shared data, information and facts taken into account in a continuous and iterative interplay between the actors. These latter can benefit of opportunities or be under constraints as a consequence of their relationships, that is why a relationship is judged as “a prison and a tool” by Håkansson and Snehota (1995, p.42) and it can also lead to disadvantages in terms of dependencies (Ritter, 1999).

The shift towards a different form of network, in which firms operate together to reach a common aim in a non-hierarchical way, is showed by IMP scholars and detailed in a similar way by Sängster (2000), when he classified interests as different but interchangeable, while the problem to be solved is common.

The three layers of ARA model (Håkansson and Snehota, 1989, 1995) – actor, resource and activity – are the basis to depict the Market-as-Networks approach. In this approach another shift regards the origin of the network as according to Ford and Redwood (2005, p.648) “there are no new networks”, but firms take part to existing networks and to relationships and interactions already running.

Different from the way in which the network is seen inside strategic approach, researchers of Nordic approach try to depict the network, at least as it regards the definition of network horizon; it can be depicted according to some scholars (Anderson et al., 1994; Holmen and Pedersen, 2003), but only if there is a time to which this definition refers, as changes are supposed to be very frequent because of doing business and, at the same time, changes also depend on the particular elements of each network.

Boundaries are not natural and not clear (Håkansson and Snehota, 1995) and moreover the composition of a network can change frequently because the web of relationships can become more intricate because linkages are mutually influencing and changes in other networks can impact too, as it has already been stated some decades ago by Cook and Emerson (1978).

Differently, network horizon is the extension of an actor's view and it is consequently the part of the network a firm considers relevant face to the whole network. This concept is useful to underline how important is monitoring activity for a firm, viz. the way in which other connected actors behave (Håkansson and Snehota, 1995). Monitoring and other activities inside a network have to be carried out by focusing on their impacts, but to do so it would be necessary to set boundaries for the network (as Lundgren stated in 1995), however this is risky as factors useful for a decision, significant events and affecting relationships can take place far away from the firm's field of action or even in another network. The relevance of other actors for a focal firm had already been individuated from Anderson (1994) too.

At the same time the concept of network horizon can be misleading if a firm does not try to adopt different perspectives in the analysis of the whole web of relationships. The reason why firms have to assume dissimilar points of view is the reciprocal influence among actors as it has been analyzed by Robey et al. (2006).

In a similar way Batt and Purchase (2003) and Ford and Redwood (2005) underlined the impossibility to depict an accurate and definitive composition of the network, because the only way to do so is to focus on the relevance of the actors, but there is no way to determine it univocally, also as a network has economic and social dimensions as Gadde et al. stated in 2003 and, moreover, because its composition is in continuous evolution due to new relationships in each part of it. These changes impact on firms and on relationships themselves (Dubois, 1998)

Following all these concepts the definition of network, useful to summarize some of the aspects above cited (Ford et al., 2002, p.3) can be identified as it follows: "A network is not restricted to the set of companies with which a single company deals. [...] The network surrounding a company is difficult to define and delimit. It has no objective boundaries".

### **3. Strategy in network context**

In the last decade the strategy and management literature has been shaken up with new ideas and issues as the network perspective has begun to emerge and affirm within the more different research fields.

First Håkansson and Snehota (1989) presented a network approach to business strategy by contrasting the basic assumptions of the more traditional literature according which strategy concerns mainly with the management of a portfolio of business (strategic management) or of capabilities (competence-based view). They argued in terms of portfolio of relationships (Håkansson and Snehota, 1995) presenting the strategy mainly as ability to manage relationships with other organizations in order to shape role, development and performance of a company.

Under the ongoing debate about the manageable or not manageable nature of network the tasks of strategy in networks have been discussed under a variety of names and contents using a number of different perspectives.

The following table is an attempt to organize the literature exploration distinguishing three main dimensions of analysis: the context, , the process and the content aspect of the strategic processes. Each of this aspect is following detailed in terms of main studies included and the core topics addressed.

**Fig. 1 Strategy in network perspective**

<b>Dimension</b>	<b>Concept element</b>	<b>Main study and references</b>
<b>Context</b>	• Dyadic relationship	• Bengtsson and Kock, 2000; Walter et al., 2001
	• Business network	• Håkansson and Snehota, 1989; 1995, Turnbull and Valla, 1986; Snehota, 1990; Easton, 1982
	• Strategic network- Key network- Strategic net	• Möller and Halinen, 1999; Ritter, Wilkinson and Johnston, 2002; Möller and Svahn, 2003 • Ojasalo, 2004
<b>Process</b>	Emergent/adaptive/reactive/evolutionary	• Easton, 1992; Ford, Håkansson, Snehota and Gadde, 2002; Håkansson and Ford, 2002 • Håkansson and Sharma, 1996, Håkansson and Ford, 2002; Ford et al., 1996, Ford and Håkansson, 2006
	• Managed to influence, control and mobilise others	• Möller and Halinen, 1999; Ritter, Wilkinson and Johnston, 2002; Möller and Svahn, 2003 Ojasalo, 2004
<b>Content</b>	• Positioning	• Johanson and Mattsson, 1992; Håkansson and Snehota, 1989; Wilkinson and Young, 2002; Tikkanen and Halinen, 2003
	• Visioning	• Tikkanen and Halinen, 2003; Möller and Halinen, 1999; Möller 2007; Ritter 2004; Järvensivu and Möller, 2009; Ojasalo, 2004
	• Relationship management	Ford et al., 1998; Möller and Halinen, 1999; Ford et al., 2003; Gadde et al., 2003; Holmen and Pedersen, 2003; Tikkanen and Halinen, 2003 Freytag et al., 2005, Mouzas et al., 2008

### *The context*

In line with how the IMP views business markets, the ‘context aspect’ refers to the level of the business relationships as the field where strategic actions and interactions between firms occur (Turnbull et al., 1996). As Baraldi et al. (2007) stated the IMP studies have made most contributions at the level of functional strategy (marketing and purchasing) (Bengtsson and Kock, 2000; Walter et al., 2001) as well as at the possible business strategy (Håkansson and Snehota, 1989, 1995; Turnbull & Valla, 1986; Snehota, 1990). The main argument of these studies is that strategy is manifested mainly in the relationships between firms and asks for the shift from studying how a single firm strategically interacts in relation to a partner in isolation to how connected firms simultaneously try to act strategically in relation to each other (Håkansson, 1985, 1987, Easton, 1982). Håkansson and Snehota’s (1989, 1995) business network concept mostly contributed to extend the locus of strategic action. The focus on managing inter-related relationships as an intricate part of a firm strategy led to consider the network as the arena where strategic options are

manifested through the interaction within a surrounding context emerging both from direct and indirect links.

Furthering this concept Möller and Svahn (2003) introduced the term “business net” to identify the intentional business network as made up of “restricted groups of interrelated actors that the management of firm perceived as relevant” (Möller & Halinen, 1999; Ritter, Wilkinson and Johnston, 2002; Möller and Svahn, 2003). Similarly Ojasalo (2004) introduced key network concept to identify the specific field of focal firm’s strategic action directed to realize an opportunity through a collaborative network.

### *The process*

Whether it is a single dyad or groups of inter-related business relationships/networks main implications involve mostly the “process aspect” of strategy concerning the manner in which strategy is formed (Easton, 1992; Håkansson and Ford, 2002, Ford et al 2003;). In IMP studies, among those who took part in the discussion of strategy has been widely argued and agreed the interactive and evolutionary dimension to strategic making because of the external context recognized has a living part in the process of strategy formation. Ford et al. (1990, 1992) have talked about strategic issues in terms of coping with network connections with other actors building appropriate levels of involvement with individual partners to firm’s goals and has raised doubts about the real possibility of independent strategic action in networks. The competitive aspect of strategy becomes less important (Gadde et al 2003; Ford et al 2003) as Håkansson and Snehota (2006, p.272) stated “strategy business 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”

On similar perspective others (Håkansson and Sharma, 1996, Håkansson and Ford, 2002; Ford and Håkansson, 2006) stated strategizing as related to interdependence and interaction in wider embedded networks, where many are the opportunities by combining and changing the way in which the actors connect (i.e. activities links, resources ties or actor bonds) as well as the limitations by pre-existent dependence between firms (Gadde et al., 2003).

The interactive nature of relationships arguing for emergent and adaptive strategy has been only partly accepted by authors of strategic net perspective (Möller & Halinen, 1999; Ritter, Wilkinson and Johnston, 2002; Möller & Svahn, 2003) who advocated the necessity to network governance arguing that managing in nets is possible. Differently from business network strategy perspective of Håkansson and Snehota based mainly on the effects of interactive behaviour with major partners, Möller and Svahn (2003) outlined as the strategic management in net possibly has also to do with the firms’ perceived need to manage the actors and resources although they opposed to the notion of

dominating hub firm. Similarly Ford et al. (2003) and Ojasalo (2004) stated the necessity for the strategy to find the right balance ambition among influence control and mobilised of others as well as to monitor what takes place in the surrounding network without driving towards hierarchy. Möller et al. (2007) in the further categorization of business net have provided to overcome the ongoing debate of manageable or not nature of network identifying eight strategic net forms under the basic typology of three value creation logic domains (efficiency, renewal, innovation) and discussing their different pertaining management issues and mechanisms.

### *The Content*

Within IMP tradition the strategy thinking has been combined with the business network approach suggesting many different activities as essential content of strategic management processes. These activities mainly deal with different concepts of role and position (Johanson and Mattson, 1985, 1992; Axelson and Easton, 1992; Gadde and Mattson, 1987; Henders, 1992), network horizon (Holmen and Petersen, 2003), network pictures (Ford et al., 2003, Hennerberg et al., 2006) and relationship management (Möller, 2003) which are differently discussed, combined and integrated by the variety of studies produced on this theme.

The position is the wider investigated and elaborated concept within IMP tradition as a means of understanding strategic action within a business network. Johanson and Mattsson (1992), defined positioning following the Axelson's (1982) idea of position as characterized in terms of role and power an actor has within a network. It is based on direct and indirect relationships of firm and defined mainly in terms of resources and knowledge created and accessed through interaction (Håkansson & Snehota, 1989) as well as it is also perceived and recognized by the parts (Wilkinson and Young, 2002). For Johanson and Mattsson (1992), network positioning concerns the efforts of a firm to influence its position in the network also considering that the positions of other actors characterised the environment and possibility of the focal actor. Similarly Tikkanen and Halinen (2003, p. 16) detailed the positioning as mainly concerning with the activities of creating and changing firm's portfolio of relationships by establishing, maintaining and dissolving linkages with actors in the network.

To emphasise network dynamics from a firm's point of view many authors (Ford et al., 1998; Möller and Halinen, 1999; Ford et al., 2003; Gadde et al., 2003; Holmen and Pedersen, 2003; Tikkanen and Halinen, 2003 Freytag et al., 2005, Mouzas et al., 2008) also developed the visioning notion including an understanding of networked environment and an analysis of the network's impact on the way of management. Network visioning follows the idea firstly presented by Möller and Halinen (1999) and refers to the need to create vision of the network and its potential evolution

(including alternative evolutionary scenarios) in order to identify strategic development opportunities. Similarly Håkansson and Ford (2002) and Ford et al. (2003, p.176) coined the term network picture to stress the subjective understanding of what the network represents for participants in it. According to them in order to achieve the strategic aim of network effectiveness, each company establishes and fosters relationships with other actors in light of its network picture (Håkansson and Ford, 2002). To anticipate network evolution and create alternative evolutionary scenarios Tikkanen and Halinen (2003, p.16) detailed visioning concept arguing to extend it also to identify the set of potential relationships tied to the invisible or not yet identified relationships.

Relationships management notion instead better emphasises the idea that strategic activities require initiatives to actively manage and mobilise other actors both at the individual and net level (Axelsson, 1992). Tikkanen and Halinen (2003) defined mobilising as the third phase of a strategic activities pattern including visioning and positioning in its previous steps. According to them mobilizing refers to those interactions that influence the development of relationships and networks and includes activities such as allocating resources to the relationships, committing partners by communicating and sharing visions or goals in the individual relationship but potentially also in the network level and influencing relationship and network development (Tikkanen and Halinen, 2003)..

Möller and Halinen (1999) management framework widely detailed the concept of relationship management activities. They discussed 4 different levels of business net related to different strategic management issues. These included: i) networks-level concerning with well established visioning concept; ii) strategic net-level dealing with positioning and networking (this last term synthesized the ability of firm to evaluate, direct and mobilize actors and build commitment among them); iii) relationship portfolios-level referring to the simultaneous management of several relationships and involving mainly resource allocation decisions and organisational aspect, and iv) relationship management level concerning the management of the potential of an actor at the individual level.

Similarly Ojasalo (2004) formalised Key network management framework based on a vision of a key set of actors mobilised by the focal firm to realize shared opportunities and value. He identified three basic activities including: i) identifying a key network(s) on the base of opportunities realizable in a networked cooperation where the goals of all parties are in focus; ii) selecting alternative strategies (grow, develop, maintain and abandon) for managing the actors of the key network(s); iii) developing and applying operational level method-including offering, organizational structure, information exchange, human resources to realize each alternative strategy.

Even though, a great deal of effort has been aimed at this topic, the discussion of content dimension of strategic management is far from being complete. Many other frameworks have been proposed

with different categorization of strategic activities (i.e. see Ritter, 2004; Järvensivu and Möller, 2009) often differing only by terminology or by the detailed discussion level.

However all of them have shared the common argument of multi-dimensional nature of strategy. In many cases the same choice of the term strategizing used to depict the strategic action of a firm in network (Baraldi, 2007) hints at something broader that put in focus mainly the connections, resources collection and the mobilising choices as resulted mainly by learning and knowledge processes about opportunities and limits as emerging by acting in relations and network.

#### **4. Research questions and issues**

The brief review of network literature allows us to depict the articulated view of strategy in network eliciting by the nature of the unit of analysis- relationships and interactions- far from the standard in traditional strategy research – the single firm that acts with an external environment.

Based on this assumption many researchers within the long tradition of IMP studies accept that as the nature of businesses are ineluctably enmeshed in relationships and networks then the elusive concept of strategic thinking is clearly emerging. Strategy is viewed as a process that involves firms identifying the scope for action within the existing and potential relationships and about operating more effectively with others within opportunities and constraints that affected the firm's goals (Håkansson and Ford, 2002). The influence of network on firm is seen as predominant and as the prevalent driver of firm action.

Otherwise among those authors that frame strategy as directing actions at and with partners within inter-connected relationships (Ojasalo, 2004; Freytag et al., 2005, Mouzas et al., 2008) the decision process has been posit at the centre of strategic action where the ability to influence and mobilise a cooperative oriented network is in focus.

The same set of studies, as the previous review showed, identified the positioning question as strictly interconnected to the influence that they have or receive within the networks (Huemer, 2006).

In lines with Håkansson and Ford's (2002) work, we find the tension between to influence and to be influenced concerns simultaneously and not alternatively the strategic actions of firms.

In our view a supplement of research is needed to deepen the link between positioning and influence issues by the perspective of dense and interactive network relations. Therefore we formulate the first research question as it follows:

- *Q.1 How does strategising in network deal with the link between positioning and exerted or suffered influence in dense network interactions?*

In addition as Möller, 2003; Ojasalo, 2004 pointed out strategically operating in network has also to do with value creating process and its main assumptions in interaction with others. Even if value is not an explicit topic in network literature Ford has recently (2008) argued that value is the outcome of the interaction that has taken place between the partners and of how that interaction relates to the respective problems of partners. According to this perspective value is co-produced in interaction among the actors and reciprocally co-created (Ford, 2008) as value creating logic in network has to enhance the value creation for all actors by exploiting business opportunities (Ojasalo, 2004).

To address this unexplored topic we formulated the second research question:

- *Q.2 How does strategising in network deal with the value creation issues as they emerge in a high interconnected set of interactions?*

Finally the strategising as dynamic and learning activities (Håkansson and Snehota, 2006; Baraldi et al. 2007) has also salient impact on how a firm forms its ambitions in terms of its future network position or future networks entrance and development, which also relates to how they try to develop its resources. To analyse this topic we formulated the third research question

- *Q.3 How does strategising in network deal with the potential of resource's and relation's exploration and exploitation issues?*

## Context

## Methodology

The research strategy chosen to address the research hypothesis is the constructivist approach. Reviews of the empirical networking literature reveal gaps in approaches and methods to investigate the process. First, empirical studies are essentially based on network structure analysis. The essential bias is the fictitious contexts, which do not report real business situations. Ethnographic field studies, such as the collection of narratives through interviews, allows a deeper understanding of strategy in business operations. The examination of strategic processes undertaken by managers is scarce in the literature.

In order to reveal interesting features with what constitutes dimension of strategic behaviour in network we chose to have two case study involving two different business industries. The desire to explore and understand the complex phenomenon of strategising in context made case study an appropriate tool to better set the blurred boundaries of our research path. In line with Andersen (1997) we find that a case study could be an example to investigate several empirical dimensions in one particular setting while at the same time appreciating the uniqueness that this case has to offer.

Affinita Group a first level supplier of Fiat automotive network. The automotive industry is a remarkable example of important changes in the relationships between the companies operating in the network (Ben-Zvi, 2009) and the perspective of the supplier of a big industrial partner (FIAT) well accomplish to the aim of our investigation. Among a set of well-established first level Fiat suppliers relationships the availability of Affinita group to collaboration and the accessibility of firm data was crucial for our case selection.

#### Data collection

The empirical data has been collected through interviews, observation and participation in business meetings and other secondary sources of data. The data collection took place between January and April. First an interview protocol was designed to collect interpretive data and during time, a total of 6 semistructured interviews were collected: three with top executives, and 3 with support functions and operations managers(Finance, R&D, Operation). Interviews lasted from one to two and a half hours. The investigators take written notes and record field notes after the interviews are completed. In the qualitative interviews we follow Koro-Ljungberg et al (2008; p.430) suggestion, “reality-constructing and interactional events during which the interviewer and the interviewee construct knowledge together”. Although open-ended, the interviews are semi-structured around the research questions defined at the start of the case study. Recorded interviews generated over ..... pages of data. Memos, notes on non-verbal cues, internal documents and other documentarybusiness seminar. In addition, the researcher had access to information available on websites plus internal documents such as strategy plans, formal projects, plans, annual reports and so on. These evidence were also collected to triangulate data and enhance the validity of the case study (Yin, 2003).

#### Analysis

The analysis was achieved in several stages, resulting from the application of various tools and procedures. Following the steps of constructionist enquiry, patterns emerged from coding and were systematically compared, to allow significant patterns to emerge (Gioia and Chittipeddi, 1991). The

first task consisted of extracting narratives related to strategic decision-making. Narratives involves events or issues, or small accounts of one's perception of 'things that happen'. Reported narratives involved the making of important decisions. They informed the case study on operation situations with elements allowing the researcher to capture the sensemaking experience of the storyteller. As the process of extracting stories was under way, two major themes emerged: (1) the compliance of the business transaction and (2) the economic and strategic aspects of the deal

We approached the analysis of interview material with specific questions concerning: i) influence ii) value and iii) relations exploration; then we code the material independently and clustered it considering the relations and linkages between each other.

The interpretations of the researchers were validated in feedback meetings with the interviewees and adapted accordingly.

## **5. Findings**

### *6.1 Context overview*

Affinita Group is an industrial holding operating since 1974 in Southern Italy as a manufacturer of semiprocessed products for automotive and other industries. The production for automotive firms is the leitmotiv of the Group activities, as it regards turnover, knowledge and partners

The Group is hold by Plast Caudio Srl and it presents three subsidiaries: Sapa Srl (a firm operating in Southern Italy, with two plants in Benevento), Robotec Srl (with a plant in Central Italy and one in Northern Italy) and Sapa Polska (owned in Poland together with a local partner).

In the 5 plants there are more than 400 workers, with more than a third of them working in the Polish factory.

The Group turnover has raised up until 52 million €recently and it cleared the previous best result, achieved in 2007 (51 million €); after 2007 the trænd had been going down in 2008 and it started being on the mend in 2009. Trend is expected to grow up in the two following years, especially because of new products in phase of development as it will be highlighted in the subsequent parts.

Through an interpretation of the narratives, the second part of the results analyses the decision outcomes and the strategic implications, and identifies the imperative for highly regulated industries to invest in research, tests and innovation integrating compliance and societal needs

### *6.2 The business network*

The firm starting the history of the Group was the Simeg Srl and its specialization was in galvanizing zinc works. After 20 years the firm starts becoming an holding as a new firm was

established, the Plast Caudio Srl, in order to operate in the plastic domain as a creator of semifinished products obtained by moulding. The output of this process was object of supplying relationships with firms operating in the automotive industry and in the household appliance productions. The role in the above cited relationships has been as sub-supplier, especially as it regards a big partner in Italy, Fiat Company, one of the most important players in Italian automotive industry.

The Group had been operating in the plastic industry for 10 years when the Board of Directors decided to upgrade Group position in the web of relationships aiming to be strongly connected to Fiat group. In fact Fiat is directly involved in more than an half of the Group turnover, namely about 65%, in fact 50,4% of the sales is related to Fiat plants in Italy and in Poland and 15% is obtained thanks to the output sold to Plastic Component, a Fiat subsidiary.

As a consequence of the relation with Fiat, three particular aspects were object of particular attention and requests for Affinita Group: a general idea of growth (as it regards higher levels of efficiency, better finance management, bigger plants and so on), an engagement in research and development and the internationalization processes.

In order to reach the targeted aspect of growth, the Lucchesi A. Srl was acquired, and this operation was useful for Affinita Group as it had tied the knot with the Turin automotive company. From this moment on there has been an important switch, as the Group became direct supplier for Fiat, differently from what it happened in the past, when it was only sub-supplier for other firms, like Johnson Controls. This has been the starting step in the process of dimensional growth, as in the following three years the Group acquired the Robotec Srl, located in two different parts of Italy, one near Fiat headquarters, the other one in Central Italy. Plast Caudio Srl went on in building a more complex industrial group by bringing its subsidiary Sapa Adler, whom status and name changed recently as there is no more the partnership with Adler. So actually this firm is Sapa Srl, with its base in Southern Italy, in the province of Benevento.

The relationship with Johnson Controls gives continuity to Group's role as sub-supplier, because they are still engaged in this activity today along with the new role of direct supplier. So the dependence from Fiat as it regards turnover raises up over the above cited 65% by considering this indirect supplying operation through Johnson Controls.

Affinita Group had also to engage itself in research and development, so the Directors chose to strengthen new relationships, even with Fiat Élasis, a firm controlled by Fiat.

The third step in the pattern projected by Fiat was the internationalization and the group had its first abroad company as the Sapa Polska has been established last year, a firm acquiring the 35% of a local plastic manufacturer (Aures Ltd.) in Sosnowiec. The remaining 65% is owned by a local

investor, but this linkage is not just related to a financial operation, as they work together to carry on the production.

The choice was not just arising from Affinita managers, but it derives from an idea shared with Fiat management, as this latter decided to move the production in Eastern Europe. So Sapa Polska is positioned near Fiat Tichy in Poland, as a consequence of Fiat decision to manufacture part of its productions in this country. The linkage with Fiat is doubtless the most important one as it regards turnover and also as it concerns investments, because internationalization has been required by the Italian automotive producer in Serbia too, even if Affinita Group decided not to go in the former Yugoslavian territory, as the interests in terms of gain were considered low because of the small quantity to be produced.

All plants of the Group are located in strategic position near customers and particularly near the biggest partner as it regards turnover (65% in 2009); in fact Sapa Srl is in the middle of a landscape where there are 3 Fiat plants, Robotec Srl has two factories, the first one is near Fiat Headquarters and the other one is located in proximity of industrial units in Abruzzo and Puglia; Sapa Srl has two plants in Benevento, the first one is useful for the production of thermoplastic parts by injection presses, but also as development centre for new projects and as moulds and tools design and manufacturing unit; the second one is near the first, but it is important for the thermoplastic material parts painting. Recently in this plant a new way of painting based on water instead of chemical solvents has been applied, aiming to a better environmental performance.

As it regards territory, another important feature of the relationships interweaved by the group is with its suppliers, as the majority of them is located near the plants. This happened in Poland, where Sapa Polska chose their partners in the surrounding of Sosnowiec, even if Fiat influenced this choice, by suggesting some firms among the ones operating in the area.

In order to deepen the strength of the link with Fiat it is interesting to talk about WCM (World class manufacturing), a path towards business excellence composed by seven different steps. Fiat asked to implement this system inside Sapa Srl and the other firms of the Group. The executions of activities to reach the target defined inside WCM is the mirror of the way in which relationships work in this network, as Fiat taught how to apply it and periodically checked the results of this system; at the same time Affinita Group will teach about the application of this model and check about it inside the partners' plants. In the same way learning processes took place since the first ties were defined in the past.

This is the way in which they are trying to manage and support value creation inside the whole network and not only in their firm. Hence relationships can be seen as an hail of mutually influencing decisions from a partner to another; in order to underline this concept it is possible to

look at the way in which the partnership between Fiat and Chrysler is affecting (and will affect) the activity of Affinita Group in some of its plants. This influence has two aspects to be considered: in fact a new production is starting as soon as Chrysler starts its activity; meanwhile Fiat is supporting its partners in creating linkages with the American car producer, generating a competitive advantage face to competitors. So local firms can be aspirant to this new relationship thanks to best practices embedded in and arising from the linkage with Fiat, aiming to excellence, as it happens to Affinita Group.

Excellence was already part of the firms Group philosophy, as it is showed by human training programs, not defined in working skills strictu sensu, but with reference to the human capital, whom improvement is also instrumental to better answer to customer claims. These training programs represent another activity stimulating and connected to a tie, as it is carried on with a partner from Central Italy (Meta training).

The web of relationships also affects financial area, as it is important to focus on two objectives at the same time: looking for partners sustaining new investment programs and reaching a good balance between financial inflows and outflows.

The first aim is reached only if the financial backer shares the positive vision about the investment; this is not an easy process to be done, as the financial director said during one of the interviews, because *“it is like to find a betting partner”*.

The second target is also difficult to reach, because each linkage gives in to different payment conditions, in particular Fiat allows a quite satisfactory monetary recover to the Group face to the short-term conditions asked by its suppliers. Moreover Fiat frequently checks the financial conditions of its partners, as their good conditions are of common interest.

This pattern shows a high dependence from Fiat and this is the reason why the Board of Directors is going on in a diversifying process, both on terms of customers and field of activity. In fact new linkages have been activated with Volkswagen by operating in Germany with agents, even if there is not a new plant yet. The German automotive maker is another player of this domain in relationship with Affinita Group, but before this new tie there was – and still is – also one with PSA, the French owner of Peugeot and Citroën.

Apart from the above cited relationships, Affinita Group activities inside automotive industry present other linkages, arising from the past or recently set. It is possible to take into account the fourth most important customer in terms of sales (behind Fiat, Plastic Component and Johnson Controls) by analysing the past of the firm and in particular the former production partner, Adler, acting now as customer for about 15% of the total sales.

Among the range of customers there are a Swiss and an American car seats producer, namely Rieter and Lear, tying a solid knot with the Group. This specific component of a car is the basis for innovation activities too, as it will be in the next part.

### *6.3 The development of relationships for the exploration of networks*

Relationships are doubtless the way in which the Group tries to take part in different networks with different activities, role and competencies, in order to reach its aims and develop the ones already running.

The previous concept can be confirmed looking to other important customers conducting their business in different fields, like Indesit in household appliance productions. This business was strictly linked to the Group's activity during 90s, then it was abandoned to better focus on automotive domain, but nowadays the Directors have chosen to focus on more than one business, in order to reduce the risk, to diminish the dependence and to improve the way in which their knowledge can be fruitful.

Raw materials are another factor of strong dependence, as their price impacts on the whole production for about a half of the total costs. This has been another boost to create new linkages as not only their suppliers and the Group itself, but also other firms dealing with plastic in their production are working together in order to improve their economic conditions in buying operations. The research project on raw materials is carried on by Affinita Group as leader and it is also aimed to respect the necessity of using eco-friendly and completely recyclable materials. Furthermore this series of relationships (with Research centres – as Crdc Tecnologie, Giulio Natta and Cosvitec –, suppliers – as Lyondellbasell, Borealis, Ravago and Dupont – and other firms – as Treofan and Élasis–) are contemporarily connected with the aim of obtaining better materials. Research is focused on the polymer and on the compound used to obtain plastic particle. Actually there are no relevant results as it regards production, but at least firms are achieving better price conditions, even if the trend is showing a continuous increasing, leading to a new negotiate with customers.

Trading operations on plastic raw materials are useful in this work to underline the way in which the role of the Group has changed since they became direct supplier for Fiat. In fact this new role inside the network led them towards a relationships management activity: the Group had to establish new relationships to carry on new activities, in particular as it regards research and development.

In order to confirm these last statements, some details of the project for the “Innovative development of local automotive industry” can be stressed; Affinita Group is orchestrating its partner and all Fiat direct suppliers located near Benevento plants (i.e. Lapo Compound) to allow

higher investments on production activities, thanks to the sharing of research and development projects and results useful for innovation and with the parallel aim of professional training.

Moreover Affinita Group is trying to improve the quality of other products, different from plastic moulds, for example car seats; a new tie (with SEM Innovation Sas) has been created to produce them. This partner is not just a supplier for materials and semiprocessed products, but it is also supporting the design and styling activities.

Plastic working capabilities is firm's historical competence and the aim is upgrading this skills also working in a stand-alone way and this activity is giving more and more the chance to diversify the production, especially with two new concepts: a panel for construction industry and a roof for cab.

The first one is an insulating board useful to avoid fire accident, to facilitate the modularity of offices and to achieve lower energy consumptions. This idea was born contingently, looking to efficiency and giving space to the core competence of the firm. Actually it is not still sold but it is already in use inside the firm offices and testing are going on before marketing it in the building industry.

The roof for cab is an idea arisen to improve working conditions of cab operators, especially but not exclusively in agricultural field; its most important and newer function is air conditioning, but it is also useful to esthetical improvement of the cabs. But the stand-alone logic just worked for the conception activity, while research on materials, support on creating prototype and design improvements have all been carried on with raw materials suppliers, like LyondellBasell and Borealis. This concept has been realised thanks to relationships with some other partners too, particularly as it regards conditioning systems and water root canal treatment for the cab, but also with potential customers as they have been consulted during the innovation activities. This new concept will allow Group Affinita in functioning as player together with different partners, even if this product is part of the automotive industry, in which relationships are already working. In particular the Directors are planning to interweave partnership in order to market new products, as presently this activity is exclusively assigned to the Group workforce, whom competencies could be proven as inadequate because of the weak knowledge of new businesses.

Innovation is spread not only inside the networks and among the partners, but also inside the Group itself and this is possible thanks to a recent novelty acquired from a routine of a customer-competitor (the American firm Johnson Controls), viz. a newspaper published every two months – an house organ – to communicate the results achieved and the objectives for the future inside different firms and plants of the Group.

## **6. Discussion**

The paper aims at addressing the networking relationships and the way in which they are connected with strategizing in networks context.

The literature review on network perspectives witnesses the renewed debate on strategic topics shaping up the strategic issues with new concepts such as interactions and relationship management. The main argument of this perspective is the shifting of focus of strategy by the analysis of strictly internal firm processes to the way in which activities and resources in networks of partners are linked and interacted each others. The issues concerned with managing interaction with others has been seen as the main topic of strategising actions (Ford et al. 1999, 2005; Ritter et al. 2004) and in some cases the interventions used to organise and mobilise networks has been identified as the main content of strategise process (Freytag et al. 2005) even if differently discussed and also labelled. These studies remind us that proactive and reactive behaviour are two sides of the ability to manage in networks (Ritter et al., 2004). The individual firm acts moved by the same strategic aims- set limits and seek opportunities through its control and influence power- but these results are increasingly influenced by others in interaction.

Standing these recent advancements we identified the necessity of supplementary research effort to capture the main elements of strategizing processes of firm in networks. In order to address this aim we suggested three main research questions as the starting point for capturing some aspects of strategizing complexity in networks.

In exploring the first research questions based on our empirical material we have been able to suggest some preliminary findings. As Affinita group well shows its positioning shifting to first level supplier of a big automotive partner completely redefines the extent and content of its business interdependence and the way in which relatedness are in to account from strategic process of firm. The influence of its big partner has directly affected the more strategic level of firm's decision processes – such as internationalization and growth strategies of Affinita- and at same time it has contributed to hardly redefine the Affinita role in term of influence and power on the decision process of firm's supplier partner. In similar way the recent execution of Fiat's WMC program contributed to further extend the connections and interactions in networks and reinforce the Affinita's coordinator role on activities and resources of its supplier partners.

As results show the strategising of Affinita in the automotive network deals with tension between influencing and being influenced in accordance with its positioning and the way in which it allows a mediated and orchestrated action among partners. It deals with a specific activities and resources of its network partners and the power to intervene on defining their direction and output. The leading interaction with the Fiat partner can thus be assumed to have a salient impact on how the firm forms

its influence on network. This implies that Positioning is defined by not generally relationships that a firm is involved in at a certain point in time (Johanson and Mattson, 1992) but more specifically by the scope of *shadow cone* of the firm's decision process as marked by firm's relationships set. The firm's decision process could affect with more or less influence both the firm's internal activities and resources exploitation processes and those of its partners. In extreme case- such as in many sub-contracting relationships- the influence of firm's decision process could screen more on activities of its external suppliers than on its internal ones.

In lines with Håkansson and Ford's (2002) work, we find the tension between to influence and to be influenced concerns simultaneously and not alternatively the strategic actions of firms.

In our view a supplement of research is needed to deepen the link between positioning and influence issues by the perspective of dense and interactive network relations. Therefore we formulate the first research question as it follows:

- *Q.1 How does strategising in network deal with the link between positioning and exerted or suffered influence in dense network interactions?*

The discussion of first research issue allows us to formulate the following proposition:

- *P1: The strategising in networks deals with the scope of the shadow cone of the firm's decision process as it emerges by firms' positioning in interconnected relationships*

This type of reasoning takes the value creating role of a company as the key issue relating to positioning and concerning the strategy in networks (Anderson and Narus, 2003). As Affinita case well demonstrated the role that a firm has in combining interactively its value proposition and offerings, forms the basis for its strategy and existence. We find that value creating processes of partners are a critical focal point for firm's strategising in networks. It arises by the necessity of firm to enhance its valuable role in the key partners' strategy processes according to a wider effectively vision of operating with others that take in to account the partners' goals and the way in which they are interrelated in the networks. With regard to the integration of partners in the value-added networks, distinct business networking arenas (automotives, household appliance and construction industry) are differentiated in the strategy activities of Affinita Group. Each of them interconnects different activities and resources often referred to other or same actors who could

express also different positions and roles in each of business networks. The main question for firm's strategic action becomes the identification of the key parties that can be brought together to exploit a business opportunity in often differentiated business networks and how they can be linked each other in value creating processes oriented by a shared network vision and goals. On this discussion the second research question has been addresses as following:

In addition as Möller, 2003; Ojasalo, 2004 pointed out strategically operating in network has also to do with value creating process and its main assumptions in interaction with others. Even if value is not an explicit topic in network literature Ford has recently (2008) argued that value is the outcome of the interaction that has taken place between the partners and of how that interaction relates to the respective problems of partners. According to this perspective value is co-produced in interaction among the actors and reciprocally co-created (Ford, 2008) as value creating logic in network has to enhance the value creation for all actors by exploiting business opportunities (Ojasalo, 2004).

To address this unexplored topic we formulated the second research question:

▪ *Q.2 How does strategising in network deal with the value creation issues as they emerge in a high interconnected set of interactions?*

• *P2: the strategising in networks deals with the management of interconnected activities and resources often in differentiated networks where similar actors could exercise similar or different role and positions.*

• *P3: the strategising in networks deals with the tension arising from the need to integrate the value creating issues of key partners into more interconnected vision of value creating in networks*

Further, the extension of Affinita business relationships suggests that enrichment of resource and knowledge based as well as the upgrading of its distinctive knowledge background (plastic and particularly moulding) is also a topic issue defining the strategising of firms in networks. The firm's asset of resources is developed through learning, commitment and investment processes that largely involve the leverage of its relational space. Therefore the business networks relationships are the matrix of reference for more complex strategic decisions in which the capacity to organize the involvement of multiple resources, both internal and external, and how to determine and promote their improvement is the basic assumption to foster the firm's positioning in networks and its ability to integrate partner's value creating processes to support existing networks or allow the developments of other ones.

The leverage of firm's core knowledge assets configure itself as opportunities for exploration of new relationships in the same or other networks and also as a way to relieve the predominant actor

positions in business networks. In order to turn into strategic node of networks the research of firm in advancing its specialized knowledge is more relevant than those of specializing its activities. Often pursued along the exploration of more scientific path, the knowledge specialization allows the firm being able to attract, exploit and explore actors and its resources. By this argument we formulate the following proposition regarding our third research questions:

Finally the strategising as dynamic and learning activities (Håkansson and Snehota, 2006; Baraldi et al. 2007) has also salient impact on how a firm forms its ambitions in terms of its future network position or future networks entrance and development, which also relates to how they try to develop its resources. To analyse this topic we formulated the third research question

- *Q.3 How does strategising in network deal with the potential of resource's and relation's exploration and exploitation issues?*

*P4. Strategising in networks deals with the tension arising from leverage of firm's knowledge to exploitation and exploration of existing or new networks setting.*

## **7. Main conclusions and implications**

In this paper, we aimed at contributing to the existing research about strategizing in networks by discussing the type and extent of strategic decisions and how they influence or are influenced by the involvement of other actors. With reference to these aspects the paper identifies four main findings. Firstly the multiple face of the influence in networks has been discussed and also explicitly readily accounted for in relation with positioning. Secondly, by this argument the strategizing in networks is seen first of all in connection with management of activities and resources in the hand of different actors who could even share different role in differentiated business networks. As a result, the networks are identified starting by activities and role of participants and interdependence of their positioning in networks and not actors as a whole. This implies in addition to studies of IMP research (Ford and Håkansson, 2006; Håkansson and Snehota, I., 2006) that to focus on activities and resources more than actors allow the firm to have a less restrictive view on the positioning that actors occupy in its surrounding networks and on the consequent opportunities and threats of interaction with.

Thirdly we identify the main aim of firm's strategizing as supporting the value creating processes of different partner's in networking integrated view. By organizing how resource and activities in the networks are being integrated the firm strategizes also mediating among partners' creating process and orchestrating them to network co-creation.

In addition, the strategy as ongoing and learning process had to support reflections on how firms influence and are influenced by each other over time as well as how they sustain or develop their positioning through resources' and relationships' exploitation and exploration in interaction.

These findings make the strategizing a multiple construct becoming central in explaining how firms and partners interactively evolve in networks.

Because of the exploratory nature of paper further research is needed. To widen empirical base could be the first effort of next research step. It will be developed by analyze the different perspectives of firm's partners and taking into account their perception about their respectively contribution to strategising.

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