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A never ending story — Interaction patterns and economic development

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ABSTRACT

Industrial marketing and purchasing is an interesting phenomenon. On the surface it appears as very mundane, a simple day-to-day activity performed by purchasers, sales personnel, and technical specialists; i.e. most often by professions representing 'middle management'. As such, it is not surrounded with any of the greater prestige ascribed to more hyped business activities, such as financing and strategy. Furthermore, industrial marketing and purchasing is seldom recognised as being of any greater importance for society at large. In policy circles, for example the UN, OECD and EU, where they stress the importance of innovation, productivity and growth, industrial marketing and purchasing is rarely mentioned as a related phenomenon. Behind the scenes, however, an empirical, much more challenging view is outlined. When the content and the effects of industrial marketing and purchasing processes are scrutinised empirically, these activities appear as perhaps the most important source for business development, industrial renewal, efficiency and innovation. From this perspective, industrial marketing and purchasing seems to be a critical phenomenon for creating prosperity for both companies and communities and for general economic growth. It is this role of industrial marketing and purchasing that we highlight and discuss in this article. Based on extensive empirical research results, we argue that interaction is the main ingredient in these processes. This implies that the supplier–customer interaction has a central development function for efficiency and innovativeness, for companies as well as for the economy at large. Thus, there is a strong need to include and consider this key engine for dynamics (and its role in developing materialised structures as well as ideas) in any theoretical study of economic development.

1. Interaction patterns formed by day-to-day interactions

The economic world is full of day-to-day interactions where millions of deliveries of goods and services are supplied and used — the result of industrial marketing and purchasing activities. This means that a number of processes are on-going, where goods and services are related to established material and immaterial investments in companies and organisations, in ways that stretch from standardised activities to completely new trial-and-error-like development endeavours. It also means that people representing a number of different professions, engaged in small and large companies, governmental and non-governmental organisations, are involved in millions of problem-solving discussions related to performed – or not yet performed – business solutions, in meetings, by phone, by email or over the Internet.

There are a wide variety of industrial marketing and purchasing interactions. Sometimes they involve a few people representing a narrow supplier–user interface, where what is going to be delivered and how it is going to be used is easily solved; many of these types of processes are highly standardised and routinised. Other interactions are more complex and require intense problem-solving, including involvement of a set of managers and specialists related to both sides of the supplier–customer interfaces. The interactions can also concern future deliveries and use of goods and services when, for different reasons, established solutions no longer work. In these situations, neither what is going to be delivered nor how any alternative solutions can be used, can be clearly outlined in advance. Together, all of these interactions concerning the creation, utilisation and adaptation of objects and ideas, constitute industrial marketing and purchasing. The outcome results in the development, supply and use of specific products, processes and services. It results in efficiency and innovations and can be measured in terms of profit numbers on a company level, as well as in terms of trade, growth and GNP figures on a national level. Thus, it has definite consequences for single companies and for nations as well as for international development (Håkansson, Ford, Gadde, Snehota, & Waluszewski, 2009).

So, industrial marketing and purchasing are not only key mechanisms for efficiency and innovativeness, but how the supplier–customer interfaces are organised has consequences for what activities are carried out within what company, located where in space. Thus, how supplier–customer interfaces are organised is not only of great importance for the direct and indirect involved counterparts, but also for society at large. The space dynamic is important to society

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for at least two reasons. If the dynamics are expressed in terms of development of new products, processes and/or services, followed by increased investments and employment, this is certainly beneficial for the communities involved in these processes. If the dynamics are expressed in terms of outsourcing *outside* earlier community borders, the outcome will be beneficial for *some* communities and detrimental for others, both within or outside national borders. Thus, the winners in these processes are those who have an increased responsibility for certain functions of an end-product, and consequently the communities where they are localised (Waluszewski, 2011).

The supplier–customer interface dynamics that have occurred over recent decades have also had severe consequences for both specific companies and for communities. Specialised suppliers and sub-suppliers have gained increased responsibility for numbers of producing, logistics and service activities that previously were undertaken within firms, resulting in the re-creation of numerous supplier–customer interfaces across spatial borders. This means that the contemporary company typically buys the main part of its turnover, and it is not rare that more than 70, 80 or even 90% of the total product costs stem from external suppliers. As 100% of the sales go to customers, interaction with counterparts on the supplier and user sides is the main activity of the contemporary company. Hence, if supplier–customer interaction has always been at the heart of business – a determinant for both efficiency and renewal – the increased specialisation accompanied by globally connected supplier–customer interfaces has given interaction an increased importance in terms of its expanded role and function. A challenging observation is that, along with the fact that an increasingly larger share of the solutions embedded into a certain end-product are a result of interaction, each company's hierarchical influence over the related resources and activities has dramatically decreased.

In other words, supplier–customer interaction appears as the door to thousands of problems — *and* thousands of opportunities. It is a door to confrontation of resources, to relating of activities and to meetings among economic actors — and a door to the increased or decreased importance of some companies in relation to others. Interaction is the room where stability is created *and* where changes appear and important development paths are outlined. Thus, both from a business and societal point of view there are severe reasons to investigate interaction patterns; what does the variation look like and what are the consequences. The variation is definitely impressive, stretching from simple and routinised affairs to complex processes where a whole set of issues and economic actors are involved. This variation seems to be partly due to the ambitions of the involved companies and organisations and partly due to other context-related factors. Thus, both the direct supplier–customer interface and its context appear as a source for both enhancing and restricting different types of interactions.

1.1. Research question

This article is a modest attempt to investigate the *variation* in the content of supplier–customer interaction patterns and the economic outcome as well as the most significant influencing factors. The study can be formulated in a simple research model presented in Fig. 1.

As indicated by Fig. 1, the research question has to be approached in a three-step analysis. First, with the help of both theories and empirical observations, we will characterise the variation of the content of supplier–customer interactions by focusing on how the interaction affects the activated resources on both sides. That is, we will identify how four main types of resources are affected by different interactions, something that allows us to outline a set of interaction types. Second, with the different interaction types as a base, we will identify the most important factors behind the variation in the interaction; i.e. we will identify the forces that create variation in the interaction. Finally, in the third step, we will consider the outcomes of the different interaction types; i.e. based on the variation in interaction types we will outline their different potential economic effects.

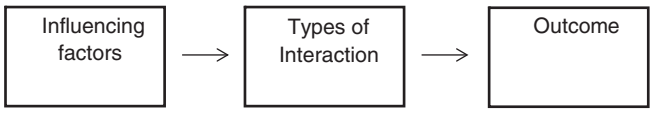

Fig. 1. Research model.

1.2. Theoretical point of departure

The theoretical point of departure of this paper dates back to the late 1960s and early 1970s (Johanson & Mattsson, 1994), when empirical observations suggested that marketing and purchasing interaction creates imprints on what's exchanged as well as on the participating actors. This observation initiated a still ongoing development of an interaction based industrial marketing and purchasing theory, today known as the 'IMP network' approach, with the aim to catch the content and effect of business interaction, in terms of both technological and organisational aspects (Håkansson, 1982, 1989; Håkansson et al., 2009).

One of the basic assumptions in the IMP network approach is that interaction affects performed activities as well as the use and value of used resources (Alderson, 1957; Hägg & Johanson, 1982; Håkansson & Snehota, 1989; Håkansson & Waluszewski, 2002; Penrose, 1959). Consequently, the IMP analytical tools have the dyad as the smallest unit of analysis. The Interaction Approach (Håkansson, 1982) allows a focus on the interaction between two parties; its short and long term effect on organisational and technological resources of the interacting parties as well how they relate to a larger environment. The ARA model (Håkansson & Snehota, 1995) allows investigations of the content and effects of business relationships in three different layers; resource ties, activity links and actor bonds. The 4R model (Håkansson & Waluszewski, 2002) allows investigations of resource interaction, whether or not they are represented by direct business relationships. A common assumption embedded into these models is that the interaction is not just a simple mechanism (as assumed in the market model) but has a specific *substance*. The substance of interaction has both cost and revenue consequences, but more importantly it affects the involved companies, their activities and resources.

1.3. Research design

The identification of interaction types starts out from one of the IMP models, the so-called 4R model (Håkansson & Waluszewski, 2002), which is utilised to distinguish how four main types of resources are affected by industrial marketing and purchasing interaction. Two are mainly physical — products and production facilities, and two are mainly social — business units and business relationships. To investigate how different types of interactions – regardless of how common they are in the empirical and the model world – affect these four types of resources, a classification made in Cantillon and Håkansson (2009) and Håkansson and Prenkert (2004) is utilised. The interaction types stretch from the 'pure exchange', which is rather rare in the empirical world but dominant in the model world, to 'networking', which is rather common in the empirical world but less recognised in the model world. The *empirical* observations of how interactions affect resources are based on research projects that the authors have been responsible for and/or have been involved in, and all these projects, as the references illustrate, have been published in peer reviewed, international journals and books. However, behind these publications there are also a number of extensive, empirical-based PhD studies, where the empirical observations that