Mai Anttila
Arto Rajala
(Editors)

Fishing with business nets – keeping thoughts on the horizon

Professor Kristian Möller

HELSINGIN KAUPPAKORKEAKOULU
HELSINKI SCHOOL OF ECONOMICS

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Foreword *by Mai Anttila and Arto Rajala*

It is both a pleasure and privilege to write a preface for this book to mark Kristian Möller's 60th birthday. This book is a tribute to the respect and affection in which Kristian is held by his current and former colleagues both in Finland and around the world.

A special characteristic in Kristian's career has been right from the beginning his aspiration and striving for international mode of action. It started in his youth, when he sailed with his sea captain Father around the seven seas. He appeared as an assistant in the 1970´s at the Helsinki School of Economics HSE in the Marketing Department in the form of constant quizzes during coffee breaks concerning geographical knowledge or sailor vocabulary in English. Later these discussions covered also special knowledge on wines. International orientation became further obvious while he was finishing his dissertation at EIASM (European Institute for Advanced Studies in Management) doctoral school in Brussels, Belgium, and during his stay there as visiting scholar in spring 1982. He defended his doctoral dissertation at HSE in 1979.

Later on he acted as visiting scholar during various periods of time, for example, at Penn State University in the United States and more recently, for example, at universities in New Zealand and at University of Bath, UK. At present, his research projects require constant travelling around the world. He is ardently attending to annual conferences such as IMP, EMAC, ANZMAC, AMA, etc. No wonder that he has acted as President, Vice President or member of Executive Committee of EMAC (European Marketing Academy).

His career as Professor of Marketing started at the beginning of 1980´ s at University of Vaasa as a "suitcase professor". A special friendship with the colleagues there was the result of these formative and lively years. He became Adjunct Professor of University of

Vaasa and University of Tampere after he was nominated Professor of Marketing at HSE in 1987. Kristian has actively contributed to doctoral education in marketing in Finland and also acted as Chairman of KATAJA during several years.

During the last few years Kristian has had the opportunity to act as fulltime research professor at HSE especially promoting relationships and networks field of study and making preparations for establishment of new projects. He is respected by his academic peers for his contribution to industrial marketing and business-to-business management fields of study. Kristian is a scholar and a gentleman. As a gentleman, he spares no efforts in the encouragement of young researchers and doctoral students and in supporting his colleagues. He has inspired our work and always he has projected an image of professionalism.

We consider ourselves fortunate to be counted as colleagues and friends. On behalf of his colleagues and friends we wish him a very happy birthday and hope he will contribute to his networking among researchers in Finland and around the world and looking into horizon of original research ideas for many years to come.

Mai Anttila and Arto Rajala
Helsinki School of Economics HSE, Finland

Networks Ahead! Kristian Möller Provides the Roots for the Finnish Business Network Research Community *by Mika Westerlund and Risto Rajala*

There is no doubt that network research and Professor Kristian Möller are inseparable. For more than a decade, Kristian has shaped the landscape of academic research by boosting interest in inter-organizational networks. The end of the 20th century witnessed a profound phenomenon in global societal, technological and economic activity: the emergence of networking. Clearly, networking has a significant impact on the structure and operation of society and business, and this phenomenon has raised interest among researchers worldwide. Rooting his research broadly in business studies, Kristian is one of the first Finnish scholars to focus on this paradigm change from a business research perspective. Already in the 1980s, he led the way for researchers from Finland to join the international research community's Industrial Marketing and Purchasing (IMP) group, which has since become a forerunner in business-to-business networking and relationship studies in Europe.

Research into networks necessitates collaboration and early on, Kristian facilitated such collaboration among Finnish universities to take the lead in this multi-faceted area of research. To assume cognizance of this complex phenomenon, Kristian initiated a multi-party research program, ValueNet, to study the forms and management of value-creating networks. The ValueNet research program, funded by the Academy of Finland, was conducted in 2001-2004 by a consortium of researchers from the Helsinki School of Economics, Turku School of Economics, University of Oulu, and Åbo Akademi University. This ValueNet consortium, reinforced through funding from the Academy of Finland for the period 2006-2009, continues to work towards studying the dynamics and management of business networks in global competition. The consortium forms a strong research community versed in both Finnish and international standards, and the outcomes of the program have been recognized internationally through numerous articles in a variety of refereed international journals and conference proceedings, as well as in a number of doctoral dissertations, books and other publications.

The business networks research area (*Verkostoitunut liiketoiminta, VELI*) has become a strategic focus of effort at the Helsinki School of Economics. Kristian's passion has fostered the emergence of this active research community, which produces cutting edge research about networks, and combines the myriad disciplines and perspectives. The community, directed by Kristian, connects researchers from the departments of marketing and management, business technology, accounting and finance, economics, and languages and communication. Their research focuses on initiatives including innovation networks, strategic partnerships, communities of practice, social and knowledge networks, and technology development alliances. Moreover, this community activates researchers who are able to cross geographic and cultural boundaries. Currently, the business network research area brings together dozens of talented researchers and conducts a number of research projects in collaboration with universities, companies and public organizations in Finland and abroad. Furthermore, Kristian has significantly advanced doctoral education in the field of business networks.

Networking is a complex and quickly evolving domain which entails a high potential for research that can be addressed only by a multi-disciplinary research community. Network research has significant academic, economic and social impacts since value creating networks are rapidly replacing traditional markets, vertical integration and hierarchical firms in achieving innovation and wealth for businesses and societies. In the future, research into value networks will continue to be essential in understanding (1) collaborative innovation among firms, universities and public institutions; (2) emergence of new knowledge-intensive business fields involving networked collaboration; (3) renewal of public services through public-private partnerships; and (4) transformation of mature industries and enhancing the competitiveness of their embedded firms. Kristian's work with the Finnish network research community provides researchers with the opportunities to conduct high-quality academic research into these important areas.

Risto Rajala, Coordinator of HSE Business Network Research

Mika Westerlund, Coordinator of the ValueNet Research Program

Lars-Gunnar Mattson

A TRIBUTE TO PROFESSOR KRISTIAN MÖLLER

Kristian is an important and much appreciated node in our international networks of researchers in marketing both as regards professional and friendship ties. For several decades he has untiringly and with great enthusiasm, successfully pursued the idea that it is important to develop and contribute to international research communication and cooperation in business studies. His broad interests in the field of marketing and his contributions to several of its subfields also make his international contacts varied. Over the years however he has become more focused on industrial marketing in a broad sense, in a business network perspective. Kristian and I have mostly met in four academic contexts: European Marketing Academy (EMAC), the Industrial Marketing and Purchasing Group (IMP), the Nordic workshop on Interorganizational Research and in academic evaluations concerning especially dissertations, selection of professors and performance of research institutes.

Kristian strongly believes that international networking between researchers and between different generations of researchers is very important, requiring a long term commitment. Early on he came in contact with the activities of the European Institute for Advanced Studies in Management (EIASM) and became an important supporter of EMAC. He served as its President and Vice President in the early 90s and was for many years the national representative for Finland, stimulating Finnish participation in EMAC to surpass those of the other Nordic countries. When we organized the 27th Annual EMAC Conference in Stockholm in 1998 we presented flowers, at the conference dinner, to the delegate with the longest consecutive, unbroken attendance to these EMAC conferences.

Unsurprisingly that person was Kristian Möller! Furthermore, Kristian has attended most of the 23 Annual IMP Conferences, always contributing several papers.

Likewise, he is also a very loyal and appreciated participant in the Annual Nordic workshops on interorganizational research. He was a founding faculty member almost twenty years ago of that forum for Nordic doctoral students and faculty members. Several generations of doctoral students have presented their preliminary work at those workshops and developed contacts with other young and senior researchers that have been both professionally and socially rewarding.

Thus Kristian is never just attending international meetings. He brings young researchers into the international networks, he writes and co-writes papers, sits on panels, he organizes theme sessions, he even organizes both small and big conferences. His many contributions to the successful development of doctoral education in Finland since early 1990s include not only organising major research programs, in cooperation with colleagues from other universities, but also attracting international faculty members to participate in doctoral seminars and intensive courses and to serve as opponents when theses are defended. When Kristian asks you to serve as a pre-examiner or opponent, answering "no" is never an option, not because you feel obliged to say yes, but because you know it will be an interesting task (and a "karonka" to look forward to).

Kristian and his wife Pirkko have enjoyed many research and teaching sojourns abroad. Among the more extended are stays at the Institute for the Study of Business Markets at the Pennsylvania State University and at the European Institute for Advanced Studies in Management in Brussels.

It is always very interesting and great fun to meet with Kristian and to learn about recent developments. Since one of our first meetings in the early 80s in Vaasa, where he had just been appointed to a professorship at Vaasa University, we have rather regularly met, covering all Nordic countries, most West European countries, and some places in the US, in Asia and in Australia.

I am looking forward to the Nordic workshop in Bergen in August and to IMP in Uppsala in September! I am confident that Kristian will be both in Bergen and in Uppsala and that he will bring colleagues and PhD students with him. Personally I always have a special feeling for our eastern neighbours and like to hang out with them at international conferences. It is a great privilege to be part of Kristian´s network, count him as a good friend, and appreciate him as an inspirational and productive, serious minded and creative colleague with lots of warmth and a good sense of humour.

Lars-Gunnar Mattsson
Stockholm School of Economics
Stockholm, Sweden

Graham Hooley

A SHORT TRIBUTE TO PROFESSOR KRISTIAN MÖLLER

Kristian Moller has been one of the leading European based marketing professors for the last three decades. His contributions to marketing theory and practice have been truly outstanding and it has been a privilege to work with, and learn from, him.

I first met Kris at a symposium organised by EIASM in Brussels on Multi-Dimensional Scaling and Conjoint Measurement in 1978. The symposium followed a short course run by Paul Green and Zinu Srinivasan and was the first conference paper I had presented. Kris was in the audience (as was Mai Anttila) and we immediately hit it off with our joint research interests. Talking with Kris later he encouraged me to attend the EAARM (now EMAC) conference in Groningen that year which opened up a whole new world for me of exciting colleagues and research collaborators. I remember staying at the home of Rob van Heuvel during the conference, where Kris and Pirkko were also house guests.

Kris's contributions to Marketing have been eclectic and broad. A search of his name on Publish or Perish shows 82 papers published over the last 30 years with a citation count of 1148 His works with Halinen (1999 – 161 cites) and Wilson (1995 – 120 cites) each clearly influencing the field significantly. He has worked on relationship marketing as part of the IMP group, market orientation and marketing resources/capabilities. It was particularly in the latter two areas where we have worked together. Kris was a founder member of the MC21 (Marketing in the Twenty First Century) group, pioneering research into marketing resources, assets and capabilities.

While pursuing research at a high level Kristian also filled the role of Head of Department at Helsinki School of Economics for a while, and was the President of the European Marketing Academy from 1990-1992. He chaired the 15th Annual EMAC conference in Helsinki in 1986 (memorable both for the academic content and the beer in the sauna afterwards!). Kris was a founding Fellow of EMAC and continues to provide his wealth of experience to the academy through the College of Fellows.

It has been a pleasure and privilege to work with Kris over the years – and I look forward to continuing to work with him for many years to come. He is someone I count a friend as well as a colleague.

Graham Hooley, Aston University, Birmingham, UK.

Martti Laaksonen ja Pirjo Laaksonen

EPISODEJA VAASASTA

Krisu,

Et ole niitä, jotka muodikkaaasti etsivät ”yhdeksän oivalluksen tietä” tai sisäistä ”alkemistia” elämänohjeeksesi. Et liene myöskään niitä, jotka aikalaistensa elämänkertoja lukien selvittävät oman elämänsä ainutlaatuisuutta. Olet tässä ja nyt, sivistyneenä tiedemiehenä. Mutta meille olet lisäksi pitkäaikainen ystävämme. Enemmän kuin hyvä sellainen. Siksi sallinet muutaman merkinnän Vaasan ajoiltasi. Elämähän kirjautuu pidempinä jaksoina ja pieninä episodeina.

Paikanvaihdos on palkitsevaa. Valkoinen kaupunki tarjoaa 400- vuotisen historiansa kautta turvallisen paikan koota ajatuksia ja kerätä valkoisia kusseja, siis Kuznetsovin teekannuja. Ne loistavat kuin valkaistu hammasrivi tumman kirjahyllysi päällä. Sinussa on esteetikon vikaa! Valkoisessa kaupungissa voi pysähtyä katsomaan ajatonta Casan ikkunaa ja vielä ajattomampaa Lucas Cranachin alastonta Justitia. Samantien, iltakävelyllä.

Paikanvaihdos on ravitsevaa: Marco Polo pizzoineen, suklaapatukka energioineen, joskus kuiva Elysee kuplineen. Syöminen, tuo pieni laitospalaveri, sujuu ohjelmia luoden, uutta oppien. Paikanvaihdos opettaa laajemminkin. Se opettaa epämukavuutta ja varautumista odottamattomiin: viritettyine makuusijoineen, sinisine samettitakkeineen, pelastavine laitoskravatteineen. Ainakin tiistaisin.

Paikanvaihdos on verkottumista. ”Changing Places” kirjoitti David Lodge ja sai meidät hyväksyvästi nauramaan akateemiselle matkailulle. Changing to Penn State sai meidät ihailemaan akateemista verkottumistasi, kuin myös kuntosi kohotusta. Changing our habits oli tahtosi: Ei muuta kuin konferensseihin! Samanlaisia ne ovat siellä kuin täällä Vaasassakin. Niinhän se sitten olikin.

Paikanvaihdoksellakin on elämänkaarensa. Eräänä päivänä viimeinen juna lähti Vaasasta, viisi minuuttia yli kahdeksantoista. Hait kusset ja muun rekvisiitan vasta vuosien päästä. Jos itse muistat syyn tähän viiveeseen olleen kroonisen ajan puutteen, me haluamme muistaa syyn olleen ”pitkien jäähyväisten”.

Pirjo ja Martti Laaksonen
Vaasan yliopisto

Kjell Grønhaug and Geir Sogn-Grundvåg

RELATIONSHIPS AND NETWORKS IN THE "NEW ECONOMY": DO THEY YIELD COMPETITIVE ADVANTAGE?

Abstract

In the "new economy" associated with the rapid development in and use of modern information technologies information is easily available, and markets are assumed to become increasingly more competitive (Porter 2001). The questions underlying this paper are whether the benefits associated with relationships and networks still will be present.

Keywords: Relationships and networks, competitive advantage, the "new economy"

Kjell Grønhaug, Norwegian School of Economics and Business Administration, Norway.

Geir Sogn-Grundvåg, Norwegian Institute of Fisheries and Aquaculture Research, Norway.

Introduction

The driving question underlying this paper is whether the benefits usually associated with relationships and networks also are relevant for firms operating in the ”new economy”, – or whether these benefits in some way or other will be modified, or disappear and – if so: ”How, why – and under which conditions?” The reason for this question is that in the “new economy” markets are assumed to become increasingly more competitive and approach the “ideal” of the “perfect market” as extensively dealt with in neoclassical economics.

To examine our research question we first briefly discuss relationships and networks – and how, why, and under which conditions they may yield competitive advantage. After this we discuss key characteristics of the “new economy”. Here we focus on informational aspects relating to the new information and communication technologies (e.g., Internet and e-mail) often assumed prerequisites for the ”new economy”. Then we contrast characteristics of the ”new economy” with insights regarding relationships and networks, and examine whether assumed and/or documented advantages of relationships and networks are modified (or disappear), and if so “How, why and when?” Finally, we draw conclusions and highlight their implications.

Relationships and Networks

Relationships and networks are often assumed important both in private and business life. For business firms, relationships and networks are considered a prerequisite to survive and prosper (see e.g. Gulati 1998; Powell & Smith-Doerr 1994). Relationships and networks are also, in specific situations, believed to allow for competitive advantage for the actors involved (Galaskiewicz & Zaheer 1999; Gulati, Nohria & Zaheer 2000).

The building blocks of any network are dyads or relationships. A relationship presumes contact of some durability between two actors. Relationships also imply some sort of contract – either explicit or implicit. In relationships and networks some "ties" or "bonds" between the actors involved are also often assumed, so are *interactions* between the actors involved. *Trust*, i.e. the belief that the other party will behave as expected, is believed important, because of less worries, reduced perceived uncertainty and reduced need for control. Trust is not necessarily "blind", it can also be calculative. For example, an actor may consciously calculate that "when I do so and so for you, I suppose that you'll do so and so for me".

Relationships are *dynamic*, they are established – they develop – and they may be terminated. The strength and content of relationships and how they function may, however, change over time (Dwyer, Schurr & Oh 1987). For a relationship to be continued, both parties must benefit. This corresponds to what Gouldner (1966) has termed the "norm of equity", which has been found to be universal.

An interesting and important question is: "Why do relationships exist?" To answer this question we depart from the ideas of the "perfect market" in neo-classical economics. In the "ideal" world of a "perfect" market, transaction costs are zero and resources completely mobile. The actors are also completely informed about own preferences, all available alternatives and their associated consequences. Furthermore, use of information is costless and does not take time (for excellent discussion, see March 1994). If these assumptions hold true, neither relationships nor networks should exist. However, "perfect markets" does not exist in real life settings. But many markets may be more or less "perfect" or transparent, and the idea of the "perfect market" can be used to enlighten our above question.

Adequate information is needed to take adequate actions. All information is seldom or never present. Uzzi and Lancaster (2002) make an important distinction between *public* and *private* information. Public information is documented and available to everyone. Examples are banks' interest rates and stock market prices. Private information is undocumented and only available to a few, such as private opinions and evaluations. From an informational point of view public information gives no reason for relationships and networks as nothing is to be gained. In contrast, private information, which is not easily available, may give rise to relationships and networks because of its value and "stickiness".

Because relationships give access to private information, this may allow for the discovery of new opportunities and/or resources not available elsewhere. Relationships also allow actors involved to co-specialise their resources resulting in valuable, rare – and difficult to imitate resource combinations (cf. Teece 1986). No firm is self-sufficient. It needs access to various types of resources (here terms like "resources", capabilities" etc. are used interchangeably. Because of factors such as limited cognitive capacity or as stated by Simon (1957) "bounded rationality", "sticky" resources, e.g. through co-specialisation (violating the assumption of complete resource mobility), relationships and networks may be advantageous.

All firms possess bundles of resources. Such resources can be more or less dynamic, i.e. adjusted to new tasks and challenges as emphasised in the influential contribution by Teece, Pisano and Shuen (1997). When engaged in motivated and dynamic interactions, actors in relationships and networks may enhance the dynamism of resources by handling new challenges and problems, as emphasised in the literature on distributed cognition (see e.g. Bardaracco 1991).

More lately, also firms' networks have been considered an important resource, which – under specific conditions – can be valuable and also rare, unique and difficult to imitate, and thus yield competitive advantage (see Galaskiewicz & Zaheer 1999). Such advantages are among others based on access to non-public information, access to and control over scarce resources and learning advantages.

Establishing, maintaining and monitoring relationships are, however, costly and time consuming. Establishing a relationship often involves *specific* investments. For example, if an actor spends time and effort to find a supplier, and later on experiencing the supplier to be excellent, s/he probably will stick to that supplier because the time and effort used can be considered as “sunk costs”. The positive experiences reduce perceived uncertainty as well. If the actor will evaluate other suppliers, s/he has to start from “scratch”. In addition, relational and irreversible investments are not necessarily profitable and successful. Relational partners may also be “locked-in”, making them less - and not more – able to adjust to new situations as frequently assumed in the business administration literature on relationships and networks (for an excellent discussion, see Shapiro & Varian 1999).

The “New Economy”

The concept of the “new economy” is often left undefined, and used in different ways. A key aspect of the “new economy” is, however, the rapid development in modern information and communication technologies (ICT) – in particular, access to the Internet and communication by e-mails. The new information and communication technologies allow for easy and rapid contact between actors, independent of place and time – and at a low cost. This new possibility to communicate allows for new ways of organising. For example, so-called “virtual organisations” are possible because communications, e.g. through e-mails, is sufficient to instruct, coordinate and control actors and activities, that would not have been possible without such communication devices. Thus a key characteristic of the “new economy” is that data flows fast and at a low cost. As emphasised in a special report published by the Economist (2000) and Shapiro and Varian (1999) in their influential book *Information Rules*, it is not a question of new economic laws, but rather the impact of the new information technologies on organisation of economic activities, and the increasing emphasis on knowledge.

Virtual communication, i.e. communication by using the new technologies is primarily text-based (see e.g. Bagozzi & Dholakia 2002), even through sound- and visual-based communication are increasingly possible. Text-based communication restricts itself to coded knowledge. What can be coded depends, however, also on effort and knowledge. The new information technologies also allows for *interactivity*, or as characterised by Deighton, Sorrell and Salama (1996), "the ability to address an individual, and the ability to gather and remember the response of that individual" (p. 151). This is important in networks based on the new information technologies because each known member in the network can be directly addressed, and all the interactions through interactive media are automatically registered and stored, which allows for a detailed "memory" of interactions. The latter point is of particular importance as "relationship memory" intuitively will be improved in the new economy, found to be of importance for intimacy and continuity (see Berscheid and Reis 1998).

Relatonships and Networks in the "New Economy"

Different views prevail about how the "new economy" may impact markets and the organisation of economic activities and thus relationships and networks. A common view is that easy and inexpensive access to relevant information will make markets more transparent, pushing them towards the "ideal" of the perfect market as discussed above. A well-known proponent of this view is Michael Porter, arguing his points in a recent Harvard Business Review article "Strategy and the Internet" (2001). A move towards more competitive markets should among other things result in lower prices and smaller price dispersions for comparable products and services. Research findings show, however, no clear evidence that this has become the case (see e.g. Smith, Barly & Brynjolfsson 1999).

A move towards more transparent and competitive markets should also reduce the importance of networks and relationships. When information is public, the actors have unlimited information handling capacity, and resource-mobility high, this would hold true. As noted above, this may vary across markets. In some markets with multiple sellers and buyers of almost identical products – much information is public and easily available. For example, in the international formed salmon market it has been observed that as information becomes more accessible firms tend to move towards pure market solutions (Grønhaug & Haugland 2005). In other markets where private information prevails, mutual adjustments and solutions not handled through traditional markets are required, and thus beneficial relationships and networks are observed.

The new information technologies represent a series of technological breakthroughs. They allow for transfer of information and communication in new ways – and at substantial lower costs than traditional means of communications (Economist 2000). Firms adopt the new information technologies because they reduce costs, and also – if they are not adopted – leave firms lagging behind. Adoption of new information technologies *per se* does not necessarily result in competitive advantage. They represent without doubt a valuable resource, however, when available to everyone, they do not yield advantage *per se*. Non-adopters will, however, inevitably be lagging behind (Porter 2001).

Human actors operate the new information technologies. Human actors have limited time and mental capacity. To operate the new information technologies updated knowledge is continuously needed. It takes time to search, it is costly, and it requires knowledge (cf. Rangan 2000). Satisfaction with present partners reduces the need for search as well as uncertainty, which makes continued exchanges and interactions likely. Due to imperfect resource mobility and the presence of transaction costs, continued contact, i.e. relationship is likely, because of reduced costs, and the bindings of irreversible investments.

If the individual firm holds superior knowledge in using and exploiting the new information technologies, the combination of information technology and knowledge may also be a valuable, rare and difficult to imitate resource that may give rise to competitive advantage for the firm. This argument can be developed further to include relationships and networks. When competent and well-positioned two or more firms can create valuable and unique combinations of value activities resulting in unique and appreciated products and services, and thus relationships – and network – related competitive advantage (cf. Amit & Zott 2001; Parolini 1999).

Firms differ in learning capacity and positions in networks. Relationships between firms with superior knowledge and learning capacity may result in early access to valuable information, creation of new and valuable solutions, and thus in line with the dynamic capability perspective, give rise to competitive advantage – also in turbulent and difficult to predict environments (Eisenhardt & Martin 2000).

From our discussion follows – in contrast to what is often believed in the business world – that relationships and networks not necessarily result in competitive advantage. Competitive advantage can only emerge when some valuable, rare and difficult to imitate combination of value activities, actions – or a competitive position can be created and are exploited. As emphasised above this may also occur in "the new economy" due to incomplete information, reduced resource mobility, the presence of transaction costs, and variations in knowledge, learning capacity and so on across actors.

The new information and communication technologies and market exchanges by employing these technologies exhibit a high degree of interconnectedness. The importance and position of an actor depend – among other things – on her/his products offering and how they create value to customers. If an actor offers one (or a few) components of a system this (these) are of no (modest) value. If, however, actors in a network can develop, offer (and continuously improve) a superior system together, this yield network advantage, not possible for the individual actor which in isolation is unable to create and offer the whole superior system (see e.g. Wyner 1999).

Concluding Remarks

In this paper we have addressed some key characteristics of relationships and networks, and why, how, and when they may yield competitive advantage. In our discussion we have used the "ideal" of the "perfect market" to do so. As emphasised above, relationships and networks emerge as deviations from this "ideal". We have also described key aspects of the "new economy", primarily associated with the rapid development and adoption of new information technologies. The new technologies allow for easy access to data, and new and less costly ways of communication. In principle, the "new economy" should make markets more transparent, and thus reduce the importance of networks and relationships. However, even though these technologies allow for rapid contact between actors independent of time and place – and at a low cost, all information will not be available, e.g. due to cognitive limitations of actors. Also, search is time consuming and costly, and establishing relationships represents irreversible investments, costly to change. Thus, relationships and networks can exist in the new economy; and they may allow for competitive advantage due to superior learning and knowledge of the actors involved resulting in more adequate decisions and superior combinations of value activities.

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Uolevi Lehtinen

MIX MARKETING AND ITS DEVELOPMENT POSSIBILITIES

Abstract

The objective of this study is to examine mix marketing, especially possibilities of enhancing and deepening it. First, the parameter combinations of mix and original (company specific) parameters are studied theoretically. Then combining of the mix approach and relational approach is studied theoretically and empirically, because it may be the most promising way to develop the use of mix.

The theoretical study concerning the alternative combinations of the parameters of mix is largely based on the former research results. In any case, companies should choose the parameters they will use in its practice of marketing.

The finding of original (company specific) parameters is important but demanding task. Again, companies should be rather careful in their difficult search or their practical marketing cannot get promising competitive advantage.

The case study results clearly confirm the description concerning the combination of the approaches. The case study's company has built its marketing plans on both approaches and advanced quite far in combining them.

In concluding comments main results and some thoughts about the background of study and future research are dealt with.

Keywords: Marketing theory, mix marketing (parameter marketing), relationship marketing

Uolevi Lehtinen, University of Tampere, FI-33014 University of Tampere, Finland.

Introduction

The Managerial School of Marketing and its central part, marketing mix have been in the main focus of marketing since the 1960's. Mix marketing is often identified with parameter and transaction marketing.

During the last two decades attempts have been made to raise the relationship marketing approach into a paradigm. At the same time, the mix or parameter approach has received wide and partly understandable criticism (Constantinídes 2000; Ennew et al. 1995; Grönroos 1994; Gummeson 1995; Sheth & Parvatiyar 2000; Vargo & Lusch 2004; Van den Bulte 1991). Contrary to some opinions the approach has not yet been buried in the wasteland of business administration.

On the contrary, both the parameter marketing approach and the relationship marketing approach have remained at the very center of scientific and practical marketing discussion, although they are not the only approaches (Sheth et al. 1988).

The argument over the superiority of a particular approach seems to be continuing nowadays. This argument, however, has not led to any very profound developments or solutions. Therefore, the avoidance of this argument and the attempt to find constructive solutions were on the background of this study.

On the other hand, many marketing scholars have seriously debated the status of marketing as a discipline and in the corporate hierarchy and practice. They ask if the scholars have specialised marketing too much and narrowed its perspectives resulting in a failure to look at the bigger picture in theory and practice. Therefore, it is no wonder that e.g. the main theme of the EMAC 2008 Conference raises the following basic questions: Have we gone too far? Do we need a single universal paradigm or multiple paradigms?

How can we reconnect with the corporate world? How does marketing respond to its critics? These important questions are on the background of this study.

The former editor of Journal of Marketing, Ruth N. Bolton, invited some distinguished scholars to contribute short essays on the current challenges, opportunities and imperatives for improving marketing. The result was 11 essays in Journal of Marketing (2005) by these scholars. Strikingly, the essays have a common theme. They urge marketers to expand their horizontal vision that allows someone to assimilate and weave together seemingly unconnected bits of information (Barry 2004). This theme is also on the background of this study.

The objective of this study is to examine the mix (parameter) basis of marketing, especially possibilities of enhancing and deepening it. The alternative combinations of parameters (elements) of mix and original (company specific, individual) parameters are studied theoretically. Perhaps the most creative and promising possibility, combining the mix approach with the relational approach is studied both theoretically and empirically.

Mix Basis of Marketing

Status and Criticism of Mix Approach

The common practice in devising a marketing plan has been to determine the level on which the parameters of marketing mix will be placed. The marketing plan thus defines its own essentials having to do with the product, price, place (or distribution or availability), promotion (communication), people, physical evidence (or surroundings), processes, possible original parameters and other tactical aspects of marketing (7P+).

It is already a good reason to state that all parameters of seven P have their own characters and content. Especially, three new parameters are quite deviant. It can be even asked if they are parameters at all (cf. Ennew et al. 1995).

Ultimately the goal is to find a solution to the following problem: how to develop the optimal marketing mix that covers all the considered parameters (Kotler 1967 and 1971). Naturally the optimum composition of marketing parameters of a firm should mainly be based on customers, personnel, company, line of business and competitive situation. Therefore, we cannot expect to find a generally correct mix (cf. Baker 1993).

Although I deal with the marketing parameters, it does not make a strong case for the Managerial School of Marketing tradition or the mix. Instead, I examine the mix and parameters, since they seem to be a well-known standard for a marketing approach among the researchers, students and marketers alike.

In any case, it is crystal clear that products must be designed, priced, distributed, sold and communicated, the staff must be chosen, trained and rewarded, the physical surroundings must be looked after and the processes must be planned and implemented. These tasks cannot be avoided in the practical business, even if, for example, the relationship marketing or network approach were strongly supported. Consequently, the parameters cannot be avoided in marketing theory.

As I pointed out in the beginning, the parameter approach has been a target for harsh criticism. This approach has, however, also had its supporters. For example Möller (2007; see also Möller & Halinen 2000) refers to the enormous impact the mix has had in both the theory and practice of marketing, and to the numerous fallacies in the criticism. According to Möller, the Managerial Marketing tradition still offers the best approach to marketing decisions, which are made under transaction circumstances such as markets. Möller goes on to say that these kind of circumstances dominate many consumer goods and service markets as well as some of the b-to-b markets. By the way, Möller's activity in this issue should be specially appreciated, because he has mainly been a researcher of business networks.

The (over)criticism often overlooks that the parameter approach includes many separate subparameters that make the parameter approach more akin to the relationship marketing approach. For instance, such subparameters of communication are PR and selling (see Lehtinen & Niinimäki 2005).

Even if we cast aside the fallacies of the criticism, the parameter approach still has its undeniable deficiencies. The worst of them seems to be that this approach does not take into account the interaction or relationships between the customer and seller. It also is silent or almost silent about strategic issues, the organization of marketing activities and personalization. In the wide analysis of Constantinides (2006) two limitations seemed to be common: the internal orientation and lack of personalization.

It is noteworthy that most weaknesses are more or less contrary to the strengths of relationship marketing. Consequently, at least the weaknesses in relationships and personalization of mix marketing could significantly be diminished by the simultaneous use of the parameter and relational marketing.

Development possibilities of mix marketing

Elements of mix

At different times, researchers have presented varying lists in which the number and/or type of marketing mix elements or parameters are different. According to the general belief Culliton (1948) was the first to write about the elements of the mix. Gradually the mix became settled to the 4P´s (McCarthy 1960). Even with its subparameters 4P´s have, however, been judged too simple for the realities of marketing. Borden (1964) came up with 12 elements (or parameters) mix, its special characteristics being the fact-finding and analysis related to market research. Thinking mainly services marketing, Booms and Bittner suggested three extra elements in 1981, which were people, physical evidence (or physical surroundings) and processes. In 1991, Christopher et al. proposed replacing physical evidence with customer service in its broad sense. Yudelson (1999) collected different types and labels of parameters and he also suggested redefining of the four P's in the way they appropriately relate to both customer and exchange interaction. A large and critical review of different mix solutions from the viewpoint of six marketing areas is included in Constantinides (2006).

For example, Lehtinen and Järvelin (1994 a & b) have presented a parameter list which includes, besides the aforementioned 7P's, the following parameters/parameter groups:

- cooperation agreements
- networks
- strategic alliances
- positioning, market portfolio
- counter purchases
- supporting and aiding services
- company image, green parameters
- marketing information system
- customers
- the interrelationships of parameters (e.g. quality/price, product attributes/advertising arguments) and
- the marketing mix complex.

It is easy to observe two meaningful issues. First, there are many parameters, parameter groups that are placed one top of the other. Second, all parameters are relational by nature.

Consequently, adding new parameters to the mix seems to guide the mix to a more relational direction.

Original parameters

It is highly important, but also difficult, to determine whether there exist original marketing parameters or elements related to customers, product, company, line of business or competitive situation that could be used in business conduct. These parameters could be called original, individual or firm-specific.

When trying to find original parameters we should keep our minds open to new ideas. One key is to turn existing ideas around, and see if the new viewpoint might generate new marketing parameters or parameter variations. Another important point of consideration is whether there are any parameters or other possibilities the competitors have not yet used, or the company itself has used to a lesser extent than competitors.

Because it is very difficult to find original parameters “independently”, they can be looked for in the connection of some functional areas of marketing. Such promising areas could be e.g. mass customization and so called industrialization of services. If customers have been taken and received as equal partners to participate mass-customization planning that is based on the fundamental elements of products, the possibilities to find additional and original parameters should be fairly good.

I repeat again that companies should try to create their own selection of marketing parameters and decide which ones to emphasize with the help of active planning. Generally, companies should believe in and focus on originality more than they do nowadays.

An example of introducing a new situation specific marketing parameter is a case where a Finnish company discovered the importance of accommodation in a new competitive situation. When the Soviet Union collapsed, Moscow and St. Petersburg faced a decline in the accommodation industry. At the same time, a large number of buyers from companies and other organizations came into the market, as most of the centralized purchasing organizations were abolished. This Finnish company leased a whole floor in a large building in St Petersburg, renovated it and organized a free, high-quality system of hotel services for its clients and promising potential clients. And the business blossomed!

As a matter of fact, the use of original parameters that is well-suited for the customers, products, company, line of business or situation, as well as for widening the range of marketing parameters, guide marketing into the direction of relationship marketing. This kind of parameter change in market orientation (cf. Kohli & Jaworski 1990) can be clearly seen in Lehtinen and Järvelin's (1994a & b) list of marketing parameters where most additional parameters are to some extent relational. Because of this, and the subparameters of the communication parameter, mainly public relations and sales, it can be argued that even the most parameter-based marketing plans and operations are never completely devoid of a relationship marketing angle.

Combining mix approach and relational approach

Already 1983 I forecasted that the importance of the marketing mix will not be diminished but rather will be completed and improved through the interactive approach (Lehtinen 1983). As far as I know this was the first time when the idea of combining was explicitly presented. I reverted to the subject 1995 by presenting – particularly because of the possibilities to combine - the following definition of marketing: *"Marketing is a mutually beneficial exchange process achieved by the establishment, maintenance, enhancement and termination of mainly long-term relationships with customers and other stakeholders, and* *facilitated by the application of marketing mix"* (Lehtinen 1995). In the spirit of that time the relational part of the definition can be mainly interpreted as the strategic part of definition and "application of mix" is mainly hinting to the tactical part. The almost similar definition is included in Glynn and Lehtinen (1995).

These definitions are very important at least from the viewpoint of this article. But a real opportunity for the development of marketing is, however, achieved by solidly combining the two main approaches, i.e. the parameter and relationship marketing approaches (Lehtinen & Niinimäki 2005).

Combining the parameter approach and the relationship marketing approach has received a really diminutive and indirect attention in marketing research. In this paper it will have one important role.

I strongly believe in the combination of the basic approaches. There are several reasons which can be summarized in the following way:

* It is futile to argue over the superiority of different marketing approaches, as has so far been done. As the old saying goes:"If you can't beat them, join them."
* Especially in marketing practice but also in theory, the different approaches have never been fully separated as we already saw. In fact, a company using one approach inevitably takes elements from another approach as well.
* Both of these approaches have their different strengths and, therefore, they can complete each other.
* Both approaches also have their different weaknesses, but the weaknesses of one approach can at least partly be corrected with the help of the other approach.
* For these reasons alone, the new approach, which systematically, consciously and equally combines the essential and compatible elements of both approaches, is probably more trustworthy, fruitful and profitable in comparison with any of the previous approaches.

In its first phase, combining can, however, be conscious or unconscious. If it is unconscious, it cannot be systematic. It happens basically because the different approaches have never been fully separated. The one big reason is that at least PR and selling are, in any case, clearly relational parameters. This kind of unconscious and unsystematic combining also seems to be a normal way when the companies start their combining work. Usually consciousness and systematism increase later.

When combining the approaches after the starting period, managers need to consider carefully, how the customer orientation of the relationship approach with its different processes as well as the parameters can best be taken into account at the same time.

If we consider e.g. the product parameter, the linking of the relationship approach to product planning (or design) to a great extent increases the gravity of marketing research and probing as well as test marketing that together bring about and follow through the whole innovation process. Customizing individual products, mass customization, and the overall usage of the customer-oriented high touch product parameter is important. All this aims at creating as much value as possible for both the customer and the company, which is the goal of all parameters usage. Possibly we should speak about relational product parameter, relational price parameter etc.

Relational pricing should have more flexibility in base prices, discounts and terms of payment, with customer history and the customer’s current and future needs and prospects given full consideration. Depending on the company’s marketing arrangements, mainly the sales personnel would have the rights to exercise this flexibility. In principle, the rights should be delegated onto an organization’s lowest possible level. Deliveries are organized in such a way that the customers receive their products or services with minimal effort, within reasonable, cost efficient limits. Often this involves not only general flexibility, but also sufficient multi-channelling. Public relations have traditionally been included into the communication parameter, which can also contain many other types of planning and operations related to relationship marketing, such as selling and sales promotion. Combining relationship thinking to parametric thinking increases the weight of these subparameters in marketing planning and implementing. When hiring and training staff, a company should stress human relations and teamwork skills, willingness to be of service and excellent customer orientation. By planning and implementing all its marketing parameters this way, a company would already have followed the relationship marketing approach and developed a basis for other types of relationship marketing.

Generally, the most important criterion for assessing the application of relationship marketing is how well the customers have been taken into account when using different parameters. A company should not have any operations without a direct or indirect connection to a customer and to generating value, both for the customer and the company. The quality and amount of this value is connected to the sincerity of customer connections. After all, relationship marketing at its best makes the customer an equal partner, not merely a faceless object of marketing. Also the other stakeholder groups of an organization must be targeted with some type of cooperative relationship marketing.

In this description the parameters were more or less the field, where the suitable parts of relational processes were planted. Naturally, combining can be performed contrarily.

In practice, the companies combine marketing approaches, many without realizing it, some consciously. In fact, companies have always combined different approaches, because of the inevitable need to price the products, for example, and because selling and PR has always contained elements in accordance with the relationship approach. It is therefore doubtful that marketing solely based on either the parameter approach or the relationship approach could even be possible.

Often the combining is conscious, although somewhat unsystematic. The combining in some parts of marketing can be unconscious while in other parts it is variably conscious. Anyway, the differences in the level of consciousness are important.

The unsystematic and sometimes conscious, sometimes unconscious combining can be considered as the first principal phase in combining approaches. It can also have different sub-phases.

We should, however, benefit from the essential elements both approaches have to offer. This can best be achieved by combining the two approaches systematically, consciously and equally into a single framework. This could be called the second principal phase of combining. However, it does bring up major questions.

Any way, we can now move to examine, how a real company has acted in its combining work.

Case Study Concerning the Marketing Approaches of Life Works Consulting Ltd.

The researcher conducted a marketing case study of a research and consultant company, Life Works Consulting Ltd. The case study was conducted as a follow-up study with the results reported twice during a three-year period, in October 2004 and August 2007. All three owner-entrepreneurs, or company executives, provided information in both reporting stages. Then the information was evaluated by the researcher. Accordingly, all owner-entrepreneurs as participating observers together with the outside researcher took part in the situations in 2004 and 2007 as well as every key change during the time of research. Judging by this and the time period of this study, it seems likely the results present an accurate picture of this company's marketing. To ensure correct interpretation of the results, in addition to the researcher an independent researcher compiled a second analysis of the data. The differences between these interpretations were small.

Life Works Consulting began building a bridge between business research and the Finnish business life in 2000. The following study concentrates mainly on the latter reporting period in August 2007, when the staff included, in addition to three owner-entrepreneurs, three employees and two people working with a programming project. The corporation had also formed networks with experts from different fields of management.

Even though Life Works have increasingly invested in relationship marketing, the company has felt it compulsory to sustain and operationalize its parameters. The operationalizing principles and practices have developed as a learning process over the course of time. The process has continued throughout the research period and will probably continue in a more and more relational form in the future. In practise, the owner-entrepreneurs have carefully considered how the customer orientation and other features of the relationship marketing are joined to the 7P they have chosen to be used as the basis of their marketing efforts. The main features of the combining work can be summarized as follows:

1. Service product: The buyers of know-how intensive products want high quality - but also directly applicable information to help develop their business operations. For Life Works, high quality information means solutions that are connected to theories and research.

The supply of services focuses on the development of earning logics, strategies, innovations and leadership in business. The focus of service activities is to comprehensively enhance and connect these fields.

The customer's needs and wishes are defined during discussions with executives, training organizers and those commissioning the research. As a rule the services are tailored according to customer wishes, so that the quality of the service is defined and carried out through genuine dialogue with the customer. The company has conceptualized research results into operational models, which are useful tools when solving a customer's problem. Examples of this conceptualising comprise the storyteller strategy and super-productivity tool for teams, which are new effective management tools of Life Works.

The customized models of Life Works are based on self-made high quality research, which gives their service products a competitive advantage. An operation model is shaped out of a company's own empirical study, and it demonstrates the research results and enables their implementation. Another method used to develop the supply of services is to localize of service concepts.

2. Price: At Life Works, the price is always based on negotiations. The price range is determined according to the content of a service in the first negotiation. After that an offer is drawn up, including a more specifically divided content, time frame, method of action, and other conditions. It is only after this has been accomplished that an exact price negotiation can begin. Fixed prices are hard to define, because the services are tailored to individual customers, and the final service is developed in close interaction with each customer.

Pricing is mostly based on the time or the implementation of service, since these methods are most familiar to the customers. Pricing based on customer benefit or value is an interesting option, and the possibility of implementing this is currently being studied by the company.

Owner-entrepreneurs feel that pricing different expert works is not an easy task. The price includes the special know-how in expert services, the benefit received by the customer and the work expenses. The value of the special know-how is determined anew by each situation and customer.

3. Distribution: The supply of Life Works' services often takes place in premises determined by the customer. This requires flexible mobility, i.e. a location within reach of adequate means of transportation. The location is beneficial to the company when the customer is from the local area, because locality also enhances trust in customer connection. Naturally, the location also has an effect on costs.

4. Communication: Life Works' communication utilizes the close and long-term relationships with stakeholder groups that have developed during the company's operation. The company has its own home pages introducing the company's services, know-how and operational philosophy. During follow-up, customers acquire information on Life Works primarily via two different channels: as references from cooperation partners or from the web pages.

The importance of communication lies in keeping cooperation partners up-to-date with the central developments of Life Works' business activities. Partners are invited annually to different joint events, which ensure effective communication. Joint events include, among others, the annual theme parties, seminars, dinner parties and expert panels. In order to ease the recommendation process, the company has developed a newsletter, which tells briefly what and how the company is offering, and to whom these offers are directed. The company's logo was registered right at the beginning of its operation, and the brand names of new services are registered under the same corporate brand umbrella.

The owner-entrepreneurs have published several books since 2003. Several articles on the company have also featured in business magazines. The visibility brought by these books and articles has made the company more renowned and increased its credibility significantly. Likewise, researchers are interested in the company's operations and Life Works has been used as a case in many studies.

5. Personnel: The company's services are carried out in long or short-term projects. In selecting experts, experience in interaction and customer service skills are especially emphasized. As the operation has developed, the company has hired more experts with experience in service business and research. New experts have been found specifically through old university connections.

6. Physical Surroundings: The entrepreneur-researchers emphasize that the physical surroundings must promote unimpeded interaction. The office premises have been chosen so as to advance everyday specialist work. The open-plan offices have been furnished to support cooperation, be it in the form of tailoring order research or designing strategy processes to suit a customer's needs. Negotiation rooms are rented from companies that are specialized in providing meeting, negotiating, and catering services. Customers, however, are usually met in the customer's premises.

7. Process: Life Works' expert services are based on close-knit interaction with the customer throughout the entire customer service process. Customers anticipate interactive service processes and a start up requiring one or more private meetings. Often the entire process is rewarding for the customer. An important customer benefit – the establishment of mutual know-how – is acquired during the process.

In the customer processes, experiences are gathered, and with their help, the processes are constantly systemized. In turn, systematization helps to develop the customer process so that customer benefit increases. Already while making an offer, private negotiations are held in which the parties agree on roles, the viewpoint, the extent of the project, and its objectives.

Contracts for training, research, and consultancy have now been standardized, and the focus of customer contacts is on facilitating interaction and setting goals. Also the technology of cooperation ensures that the services customers receive are of a higher quality. In research services, the technology of cooperation means that the researchers are committed to collaborative efforts in all their writing and analyzing, too.

As can be seen from the Life Works' case, the utilization of parameters has developed the company's operations towards a clear emphasis on relationship and even network orientation. Life Works' background as a university spin-off can be seen in the owner-entrepreneurs' methods: they have vast experience of how interaction within the science community can produce innovative results. This strategic perspective supports operative procedures based on relationship marketing.

Most of Life Works' daily operations have gradually developed to involve building and maintaining cooperation relationships. In practice this also means that communication with colleagues, local know-how center experts and Life Works' service suppliers are of prime necessity for the company's existence. Particularly in interactive consultation situations, the value a customer receives depends on the know-how of the consultant. The owner-entrepreneurs of Life Works think the customer's success should be equally important to the service provider as the company's own business success.

As can be seen from the previous description, relationship marketing is nearly always and everywhere emphasized in Life Works' operations. The customer's possibilities, resources, the company's field and history as well as context define what services and in which price range the customer organization is able to purchase. In a good cooperation relationship, the service provider and buyer can negotiate a service process that is agreeable to both parties. In the course of the service process, via continuous interaction, Life Works' experts bring the customers know-how in content, process, and method. At the end of the project there is always a feedback discussion, which Life Works utilizes in developing its services.

It can undoubtedly be said that Life Works has, in its developing process, managed to combine the parameter and relationship approaches to a great extent, both in their planning and operations. This has happened quite conscious but not very systematically. We can argue that Life Works has been quite systematic but not very creative on its choice of parameters. The 7P'approach has been the basic field, where the perceived relational means have been planted more or less coveringly. The owner-entrepreneurs now consider that they should gradually move to a more systematic and conscious combining framework. However, they evaluate that, to a great extent through their present planning and operating work, the company has managed to double its turnover since the previous fiscal period.

Using the past efforts as a foundation, Life Works has a realistic possibility to proceed flexibly into a more systematic, conscious and profound combining of approaches. The owner-entrepreneurs of Life Works realize that such work guided by more formal framework will take time and money.

Conclusions

The objective of this study was to examine mix marketing, especially possibilities of enhancing and deepening it. In addition to the theoretical study of the parameter combinations of mix and original parameters, combining of the mix approach and relational approach was studied theoretically and empirically, because it may be the most promising way to develop the use of mix. As the first principal phase of combining, the way how the approaches are often and can always be combined was described. This kind of combining is not very systematic but it can be conscious or unconscious or partly conscious and partly unconscious.

The theoretical study concerning the parameters of mix was largely based on the former research results. In any case, companies should choose the parameters they will use in their practice of marketing.

The finding of original (company specific) parameters is an important but very demanding task. Again, companies should be rather careful in its difficult search or its practical marketing cannot get additional competitive advantage.

The case study results clearly confirmed the description concerning the combination of the approaches. The case study's company has built its marketing plans on both approaches and advanced quite far in combining them.

Generally, no company can totally avoid the use of both marketing approaches. But when developing different frameworks for combining we must remember that the different frameworks and the different applications suit for different companies. Also their most important background factors like the competitive situation, industry, and competence of marketing people must be taken into account.

We should more carefully consider whether there are applicable elements in other marketing approaches (cf. Sheth et al. 1988) that might be beneficial to the parameter approach. The independent development of the parameters will still require an additional consideration.

Marketing is an applied science that must be based on the needs and acts of companies and other marketing organisations. Consequently, there seems to be a good reason to return to the starting questions: Have we gone too far? How can we reconnect with corporate world? These questions are connected with the third fundamental question: Have the scholars really specialised marketing too much and narrowed its perspectives resulting in a failure to look at the bigger picture in theory and practice.

The results of this study and our research in progress hint at an affirmative answer to this question. They also support the use of the horizontal vision (cf. chapter "Introduction" & Brown 2005). At least our study will not try to "narrow marketing perspectives" but it will try to broaden them. It could be also argued that the study introduces a possibility in the long run to develop a new, comprehensive paradigm for marketing.

I do know that there are those who might not like all ideas of this article. In order to make progress, we must, however, find new ways of looking at the old and established ideas.

One problem concerning this study like many other corresponding studies can be different cultures in marketing and especially in marketing research. Möller's (1992) analysis of the different research approaches in marketing concludes that the European and North American research cultures are quite different. The Europeans tend to focus on rich, context-specific description based on research designed and analysed from the relativistic perspective. Qualitative and case research is accepted and often used. The North American literature is more positivistic, and based more on the logical empiricist traditions. This approach generally seeks to confirm or disprove objective models through testing of quantitative data. Surely, also the American research culture is slowly changing. But slowly.

This study leaves room for different interpretations, requiring a lot of explicating and formulating. In our research in progress we will try to utilize this room. But much more creative theoretical and empirical work is required.

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Christian Grönroos and Tore Strandvik

THE INTERACTION CONCEPT AND ITS IMPLICATIONS FOR VALUE CREATION AND MARKETING IN SERVICE BUSINESSES

Abstract

In the present article the interaction concept, which is a fundamental construct in service marketing, is analysed and developed as a basis for the understanding of service logic in business. Using the interaction concept and drawing on the findings of research into service marketing the service-dominant logic is further developed into four foundational theses of service logic.

Keywords: Service logic, service-dominant logic, value creation, interaction, marketing

Christian Grönroos, Hanken Swedish School of Economics Finland, P.O. Box 479, FIN-00101 Helsinki, Finland.

Tore Strandvik, Hanken Swedish School of Economics Finland, P.O. Box 479, FIN-00101 Helsinki, Finland.

Introduction

Research into service marketing has demonstrated that customers and firms participate in the service process (service production and delivery process) and that the customers also influence the service that develops for them (Eiglier & Langeard 1976 & Grönroos 1982). This participation in each others' processes occurs during interactions between the firm's resources and the customers. The *purpose* of this article is to analyse the nature of such interactions in service businesses and how they can be managed. In the final section of the article implications for two issues that are central to the on-going discussion of service-dominant logic, viz., value creation and co-creation and the role of marketing, are analysed and discussed. As a conclusion, four foundational theses for value creation and marketing in service businesses are formulated. These theses reflect central aspects of service logic[1] for marketers on consumer as well as business markets.

The nature of commercial interaction

Especially within the Nordic school research tradition the interaction concept is a key construct in service marketing, for example in the forms of buyer-seller interactions and interactive marketing (e.g. Grönroos 1982) and interaction quality (e.g. Lehtinen & Lehtinen 1991) and in relationship marketing (e.g. Grönroos 2000; Gummesson 2002). However, interaction has also been discussed to some extent within other service research traditions (e.g. Solomon et al. 1985). Moreover, the interaction concept and buyer-seller interaction terms have also been used within the IMP approach in the interaction (e.g. Håkansson 1982) and network (e.g. Håkansson & Snehota 1995) models of business marketing, as well as in many industrial marketing publications (e.g. Dwyer et al. 1987 & Jap et al. 1999) and in publications with a broader marketing scope (e.g. Day & Montgomery 1999; Rayport & Jaworski 2005; Yadav & Varadarajan 2005; Ramani &

Kumar 2008). However, in a marketing context the underpinning logic of the interaction concept has never been thoroughly discussed.

In general terms *interaction is mutual or reciprocal action where two or more parties have an effect upon one another*. An inherent aspect of interaction is connectivity, i.e. the parties involved are in some contact with each other. In a business context, buyer-seller interactions, or expressed in a more general way, firm-customer *interactions mean that two or more parties are in contact with each other for a commercial reason, and in these contacts they have opportunities to influence one another's processes*.

Interactions do not necessarily require face-to-face or man-man contacts. Man-machine, man-system and even system-system contacts can also occur. Hence, interactions can also take place between a customer and systems or infrastructures. Such interactions are often mediated by IT or mobile technologies. As Yadav and Varadarajan (2005) observe, increased interactions between customers and firms and also between customers have been triggered by technological developments. When using an Internet-based diagnostic tool to identify reason for a problem in, for example, a manufacturing process and to find an applicable solution, a business customer interacts with an IT mediated system provided by the supplier. When two persons talk to each other using mobile phones they interact with each other and with the telecommunication mediated infrastructure provided by the telecom operator. Such IT mediated systems and mobile technology infrastructures can be, and often are developed into intelligent systems which, within limits, can perform in a flexible manner according to the customers' actions. If this is the case, both parties, the customers as well as the supplier, take actions that influence the other party. On the other hand, in many service settings interactions take place between customers and service employees. Frequently these interactions involve systems and other elements such as goods and other tangible items as well. Characteristic for all these situations is that the two or more parties involved are in contact with each other and can take actions of some sort which influence the other party's process. Hence, during the interactions the supplier and customer can influence the course of their processes.

Traditionally, in typical goods-marketing situations the firm provides its customers with goods as input resources into their processes. The goods are normally standardized and cannot be influence by actions taken by the customers. No interactions occur, only actions taken by the customer. The supplier is inactive and silent. By creating intelligence into goods, so that they, again within limits, can adjust their performance to the customers' actions, interactions are developed. Also by adding, for example, call centre services a goods marketer creates interactions with its customers. In all these cases the firm, through the development of interactions, creates opportunities to engage itself with its customers' practices and influence their consumption processes and the outcomes of those processes.

The different types of interactions in commercial settings can be thought of as an *interaction continuum*. At one end of such a continuum are interactions with a low level of interactivity content, such as goods with some degree of inbuilt intelligence or with some sort of interactivity support. Call centres and frequently asked questions sections on the Internet are examples of such interactivity support. Further away from this end are service systems mediated by mobile technology and IT. Towards the other end of the continuum are service processes with a higher level of interactivity, such as fast food restaurant, semi-standardized service processes, such as retail banking, and at the far opposite end full-service, high interactivity service processes, such as education. Hence the continuum goes from *low interactivity content* at one end to *high interactivity content* at the opposite end.

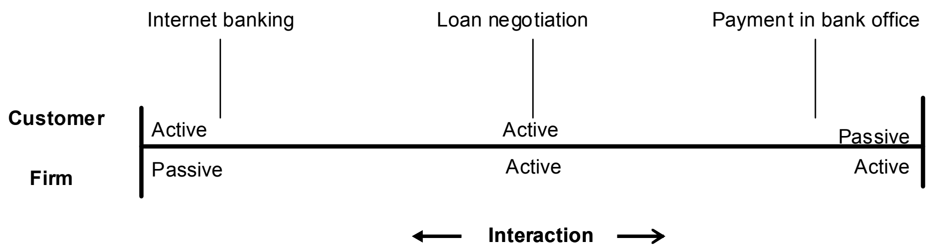
The existence of an interaction does not only imply that direct actions that influence the other party can be taken. During interactions both parties can also gain information about the other party's processes and use this information in various ways for the benefit of itself and of the other party. For example, a customer may learn about a service provider's need for information to run their service processes more smoothly and, as a consequence, in future interactions automatically supply the firm with these pieces of information. On the other hand, a supplier delivering components to a manufacturer may observe that this business customer, for example, uses a less effective warehousing system and can use this observation to help the customer develop its processes in a more effective direction. The customer's value creation may not have been as effective as possible and through what is learnt during interactions the supplier can take actions not only to support the customers' value creation but also to improve the value creation process itself. Hence, interactions are also learning opportunities for all parties involved. Based on Argyris and Schön's (1978) 'double-loop learning' concept, Payne, Storbacka and Frow (2008) suggest the term 'proportioning' for this type of learning. With *proportioning* they mean that customers and suppliers and service providers reflect on how they are involved in each others practices and based on these reflections, if needed, they may change their behaviour and use of resources for future interactions. Of course, this proportioning may also make one or both of the parties disengage from future interactions. (Payne et al. 2008)

Furthermore, it is important to realize that the existence of interactions is only a *platform* for influencing the customers' consumption and usage processes. The opportunities provided by this platform can be taken care of well or less well by the firm. In the former case customers probably perceive that they get more value out of the goods or services they use, whereas in the latter case the consumption processes, according to the customers, are influenced in an unfavourable way by the actions taken by the firm during the interactions.

Managing the interaction platform

The interaction platform has to be managed in a way that supports value creation for the customers and, of course, also value capture for the supplier or service provider. In Figure 1 this is captured in an *interaction activity scale*, which is based on how *active* or *passive* the firm and the customer, respectively are in interactions that take place. In the figure only three possible situations are illustrated. In reality, of course, both parties can be more or less active or passive in the interactions. The various possibilities indicated by the scale offer strategic options for the firm. In the figure the interaction activity scale is illustrated by a retail banking example.

FIGURE 1. The interaction activity scale.



To the left the *customer is active and the firm passive* in the interactions. Typically, Internet banking offers a situation like this. The customer performs the activities required, for example, to pay a bill, whereas the bank is fairly passive. It only provides the system and infrastructure needed and in special situations, for example, usage information and feedback phone numbers or e-mail addresses for the customer's use. On the other hand, to the right on the scale *the firm is active and the customer passive*. Paying bills or withdrawing cash in a bank office is a typical example of such a situation. The bank clerk is active and performs the activities required for doing the payment or withdrawing the amount of money required, whereas the customer is fairly passive and does not need to do more than provide the clerk with information needed for the transaction. In the middle of the interaction activity scale *both parties are active*. In retail banking context loan negotiation may be an example of such a case. Both the customer and the bank official have to be active, ask questions, provide information, reflect on the information available, and make decisions.

Depending on the activity level of each party the nature of the interactions vary considerably. The position on the interaction activity scale that should be chosen by a firm depends on the nature of the customers' practices, what they consider value creating as well as on their needs, wishes and values. Of course, it also depends on the business mission and overall strategies of the suppler or service provider.

Implications of the interaction concept

According to one of the foundational propositions of what has been termed a service-dominant logic (Vargo & Lusch 2004, 2008) it is claimed that firms adopting such a logic can only make value propositions, i.e., the firm can only suggest what value a market offering can have for customers (Vargo & Lusch 2008). The underpinning logic must be a thought that the firm creates value that is proposed or suggested to customers, and thereafter the customers co-create value by using what they have bought – a physical product or a service – as a service in a consumption process with the goal to create value for themselves. However, for this thought to be logical value has to be embedded in the goods or services that the market offering consists of. This again resembles the *value-in-exchange* concept, according to which ready-made value is exchanged for money or the equivalent.

However, the service-dominant logic should be based on the *value-in-use* concept (Vargo & Lusch 2004) that has been discussed in the marketing and management literature since the 1990s (see, for example, Normann & Ramirez 1993; Holbrook 1994, 1996; Ravald & Grönroos 1996; Vandermerwe 1996; Wikström 1996; Woodruff & Gardial 1996; Normann 2001; Prahalad 2004; Grönroos 2000 to mention a few publications). Value-in-use is not a new concept. It was discussed already by Adam Smith (1776, p. 132). Also Alderson (1957) pointed out the superior role of value-in-use: “Goods do not really have utility from the consumer viewpoint until they come into the possession of the ultimate user and form a part of his assortment” (p. 70). As Abbott (1955) put it also over half a century ago, “what people really desire are not products but satisfying experiences. … People want products because they want the experience-bringing services which they hope the products will render“ (39-40). These thoughts were also expressed almost thirty years ago in the service marketing literature: “It is … reasonable to consider both goods and services to be bought by consumers in order to give some service or value satisfaction” (Grönroos, 1979, p. 86)

It has become popular to state that customers are *co-creators of value* and in another of the foundational propositions of the service-dominant logic it is stated that customers always co-create value with the service provider. (Vargo & Lusch 2008). This co-creation expression must be based on the thought that the customers are allowed to engage themselves in the firm’s processes (see, for example, Lengnick et al. 2000; Auh et al. 2007), where value is created. The customers are invited to enter them as value co-creators. The logical conclusion is that value is created by someone else than the customers who only work on a value that already exists.

However, in our opinion, in the discussion of service-dominant logic and in other contexts as well the real meaning of value-in-use has not been fully understood or at least the logical conclusions of it have not been drawn. If, as already half a century ago Abbott (1955, p. 40) claimed that customers look for experience-bringing services that products should render and Alderson (1957, p. 70) concluded that from the customers’ perspective products do not have utility or value until they come into the possession of the ultimate user, there is no value embedded in goods and services. Value emerges only when they are used in an experiential process. Hence, firms – goods suppliers and service providers – are not value creators. *Customer are the value creators* (Grönroos 2008; see also Ravald 2001).

What is the role of the firm? If firms provide customers with goods and services as resources they can work on in their consumption processes so that value for the customers is emerging in those value-generating processes, the firms can be said to *facilitate customers' value creation* (Grönroos 2008).

Based on the value-in-use concept, a firm that only provides customers with products without any further contacts with them remains a value facilitator. However, by adopting service logic and developing itself into a service business, the firm can create opportunities to extend its role in the customers' value-generating processes beyond merely being value facilitator. As Storbacka and Lehtinen (2001) state, customers produce value for themselves independently, but suppliers may offer assistance. Research into service marketing has demonstrated the importance of the interaction concept for marketing. By managing interactions with customers the firm can engage itself with the customers' processes and by doing so it can directly and actively influence the process and outcome of its customers' consumption process and value-generating process. Wikström (1996) used the phrase *value-in-interactions* to indicate this. Hence, in this way *the firm develops opportunities for co-creating value with its customers*. As Payne, Storbacka and Frow (2008) state, co-creation opportunities that suppliers have are strategic options for creating value.

The existence of interactions does not only have an impact on the firms' role in the creation of value, it also has implications for marketing. As service marketing research has demonstrated, the interactions are also marketing opportunities (interactive marketing). Hence, contrary to the foundational view in service-dominant logic service-centric firms are *not* restricted to making value propositions only. Rather it is exactly the opposite. In addition to making value propositions they can develop opportunities to actively and directly influence customers' value creation and hence value fulfillment as well (Grönroos 2006, 2008). Consequently, marketing is not only about making value proposition, but explicitly also about influencing how this value proposition leads to the creation of value for customers, i.e., value fulfillment or what Gummesson (2007) calls value actualization.

Conclusions: Some key characteristics of service businesses

Based on the analysis in the previous sections, the essence of service logic for the customer and for the supplier or service provider, respectively, can be summarized in the following way (Grönroos 2008):

1. When using resources provided by a firm together with other resources and applying skills held by them, *customers create value for themselves* in their everyday practices (customer service logic).
2. When creating interactive contacts with customers during their use of goods and services, the *firm develops opportunities to co-create value* with them and for them (provider service logic).

In conclusion, when taking into account what the interaction concept developed for example in the research into service marketing brings to the table some foundational theses for firms that define themselves as service businesses and adopt a service logic can be formulated as follows (see Grönroos 2008):

1. Because value for customers emerges in the customers' processes when goods and services are used by them as input resources, *customers are always the value creators*.
2. By developing interactions with customers firms can extend their role in value creation beyond being facilitators of the customers' value creation only and *get opportunities to co-create value with the customers*.

3. The market offering *also includes interactions with customers*, which are marketing opportunities (interactive marketing) for the firm.
4. Due to the existence of interactions with customers, firms are not restricted to making value propositions only, but *can also directly and actively influence the customers' value fulfillment*.

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[1] For several reasons we prefer to use the term service logic instead of the service-dominant logic (Vargo & Lusch, 2004) which has been used in the recent discussion of a service perspective in business. First of all service-dominant logic implies that the logic for business and marketing always is dominated by a service perspective. However, in our opinion the choice of a service logic is a strategic decision by a firm that fits situations where the customers are prepared to buy goods or services as services, i.e., as part of a process that supports their value creation. On the other hand, if customers want to buy goods and services as merely input resources into their processes and not as part of a value-supporting process, a marketing approach that is based on a goods logic will be more effective (Grönroos, 2008). Understood in this way, service-dominant may be correct in consumer behaviour, but not in marketing. Secondly, adopting a service-centred perspective is not a matter of adding weight to the service aspect of a logic in order to become service-dominant. Rather it is a new logic in itself.

Christopher John Medlin and Jan-Åke Törnroos

THE IN-BETWEEN OF INTER-FIRM INTERACTION: A HUMAN PERSPECTIVE OF BUSINESS RELATIONSHIPS

Abstract

Interaction is a central construct of the Industrial Marketing and Purchasing (IMP) Group (Håkansson 1982). The empirical focus of IMP research has lead to an understanding of the role of business relationships (Håkansson 1982); however there is much theory to be developed. One key issue is the lack of distinction between the firm and individuals as actors: the role of humans has been underplayed.

In this paper a theoretical interaction framework based on human cognition and time is presented. Business interaction, in a human sense, requires at least two knowing and communicating people who have some degree of control over resources and activities. A problem exists in theorizing interaction without also considering the cognitive processes of the participants.

Interaction occurs across and within the 'in-between' of human actors. The 'in-between' is composed as geographic space, time, material objects and the difference and similarities in the cultural and social norms. An important distinction, evident across the 'in-between', is that between interaction in the physical world and processes in the cognitive domain. In the cognitive domain, interactivity between participants leads to new associations and meaning, and these have implications for the nature of interaction in the physical domain.

Keywords: Time, cognition, interactive, dialogue, business interaction, actants

Christopher Medlin, University of Adelaide, Australia

Jan-Åke Törnroos, Åbo Akademi University, Finland

Some historical remarks to Kristian

Kris Möller is a well-known person for us both since many years. We have followed the same path in business marketing – the interaction and network approach. Kris and Jan-Åke met in Manchester back in 1986 at the IMP-Conference, and Chris met Kris at the IMP Asia 2002 conference in Perth. J-Å noted the research of Kris when he was a professor at Vaasa University in the early eighties. That was about the time when J-Å wrote his licentiate work. At the same time he was introduced to the IMP-research through the basic interaction-work edited by Håkan Håkansson. Since that time there has been close collaboration and we have shared ideas in numerous workshops and Conferences, Notably the IMP and EMAC meetings. We have also been colleagues at the Finnish Doctoral Programme in Business Studies and Doctoral courses in business network research. Our common research project: Managing Value in Business Networks: ValueNet has been a success story. It was also nice to see how Kris and his colleagues into the value continuum developed the idea about different value logics composed across time later.

We have, of course, also had some disagreements that have stimulated discussion. We believe that the question about management in networks is still a topical issue. It will be nice to argue about this further. An open atmosphere and a shared interest have given a lot of inspiration for us both socially and professionally. It is our firm belief that this will continue in the future.

This research approaches business interaction from interpersonal, personal and cognitive domains. We feel this has not been done, at least not to a notable degree in previous IMP studies. We also feel that the IMP needs to develop new ideas and get into areas in business markets where interaction plays a role. We are quite sure that Kris agrees with us…

Introduction

The interaction and network approach has noted the existence of long-term relationships that exist in industrial markets. Business relationships have been persistent even under turbulent times. Mutual interests and adaptive mechanisms create a situation where both stability and change exist in parallel. Being able to keep up relationships between companies is a key value-creating activity, which provides a kind of stability when the environment around companies is in turbulence. Mutual interdependence and joint value creation forms the basis of relationships and interactive processes between business counterparts feed emergence and interdependence.

A key process in relationships is formed by the interaction that is taking place between companies. Through interaction, which is to a large extent carried out by individuals who represent their companies, many processes come into play. The interaction approach looks at four distinct issues in its basic approach: the interaction process, the interacting parties, the atmosphere and the environment of interaction (Håkansson 1982/ Ch.2).

Recently Ford and Håkansson (2006) have noted that interaction is still poorly understood and that the construct of relationships in business has been adopted much more than the concept of interaction, even if interaction is really at the heart of understanding processes in relationships and how they develop. “Interaction is much more difficult to demonstrate, to analyse, to picture, to conceptualise, to make normative statements about, or to translate into management technique. More importantly, interaction is much more challenging for the established theory” (Ford & Håkansson 2006, p. 253). In addition, observing the processes of interaction and business negotiation are difficult given access problems. Also the increasingly global business environment and complexity poses challenges in developing theory about business interaction.

This conceptual paper looks more closely at interaction and the role played by individual managers in the interaction process in particular. We propose an extended view of the concept of interaction in business market management noting especially the role of time and process and the roles of interacting individuals. In doing this we rely on three different streams of research that present different viewpoints on interaction processes in business and social science. The first relates to Actor Network theory (Callon 1999; Latour 1999; Law 1992; Law & Hassard 1999). The second stream of research relates to the social-embeddedness approach in business put forth by Granovetter (1982; 1985; 2005). These streams are supplemented with contributions from the Interaction and Network approach in business marketing (Gemünden et al. 1997; Håkansson 1982; Håkansson & Snehota 1995; Hallén et al. 1989; Möller & Wilson 1995; Naudé & Turnbull 1998). We start the paper by elaborating the role of process, cognition and time in the study of an interaction environment. Next we introduce the concept of the 'in-between' of human actors and propose a dialogical perspective to extend the view of interaction by cognitive and social elements in particular. In a third section we explore a number of theories that help conceptualize the differences between human actors and firms as actors. The paper ends with implications for research and practice.

Interaction and time in the current business environment

Time and timing play an important part in understanding interaction. Contemporary business is very dynamic and composed of continuous streams of related and unrelated changes, with events observed as a result of difference against an expected background or past background. Related changes follow each other in chains of implied causation. However, unrelated changes also have effects on past, present or future events either directly or indirectly through a change in meaning. The distinction between direct and in-direct effects rests on timing and whether there are changes in cognitive understanding. For example, the entrance of a competitor firm to a market brings a previously unrelated sequence of events into direct strategic play for a local firm and so influences present and future strategy. By contrast, an indirect effect is observed when an explicit change in advertising by a competitor firm causes a re-assessment of a past event and signals to an observer an earlier beginning of a change in competitor firm strategy. In this indirect case, the change in the environment requires new understanding by the observer of events within time and space. Further and worthy of note is that while indirect effects change interaction through re-interpretations of past understanding, direct effects immediately influence the present and future. The difference between these effects relies on bringing the cognitions of the observer into an interaction theory.

This formulation of the environment spread through time maybe termed an “event network” (Hedaa & Törnroos 2002; Hedaa & Törnroos 1997). In an event network interactions are spread through time as sets of connected events, forming event trajectories. An event network can only be partially comprehended, according to an individual’s cognitive ability. From this perspective the environment is composed of the remains of perceived/remembered past events, the present as a partial understanding of the dynamics of surrounding events based on past events and future expectations, and a future that is composed of partially expected events and the unknown. This perspective of an economic environment rests wholly on the premise that humans have bounded cognitive ability and many individuals socially construct the world of events over time and within space as they build an understanding of their surrounding event network spread through time. The event notion gives human actors a basic concept for understanding what happens, why and how it affects the role and position of a company in its relational landscape. When an indirect effect occurs, the event trajectory undergoes a re-interpretation.

The event network perspective of the economic environment is not at odds with the concepts of ‘business relationships’ and ‘networks’ espoused within IMP research. Rather, it transforms these two concepts into dynamic constructs that exist through time and space, so that they are never ‘still’. While this dynamic aspect of business networks is always implied by the concept of a relationship, which naturally can only exist in time, the environment composed as event networks ensures that the dynamic nature of business relationships and networks is always evident.

The notion of event networks (i.e. temporal environment) can also added with the notion of actor networks (i.e. a notion of the networked 'spatial' environment), in the sense that many processes of change are not only taking place between humans but also in relation to and by the use of different material objects (in business e.g. computers, faxes and emails, mobile devices, hotels and so forth as well as having different material objects as a key issue to handle in order to create value through interaction). In this sense the "products (and/or service)" become a matter of the 'in-between' for human actors and a reason for business interaction processes to take place. The 'in-between' is a useful concept when considering business interaction with a focus on human actors, as the specific interactions can be seen spread through time and space, within and across an 'in-between'.

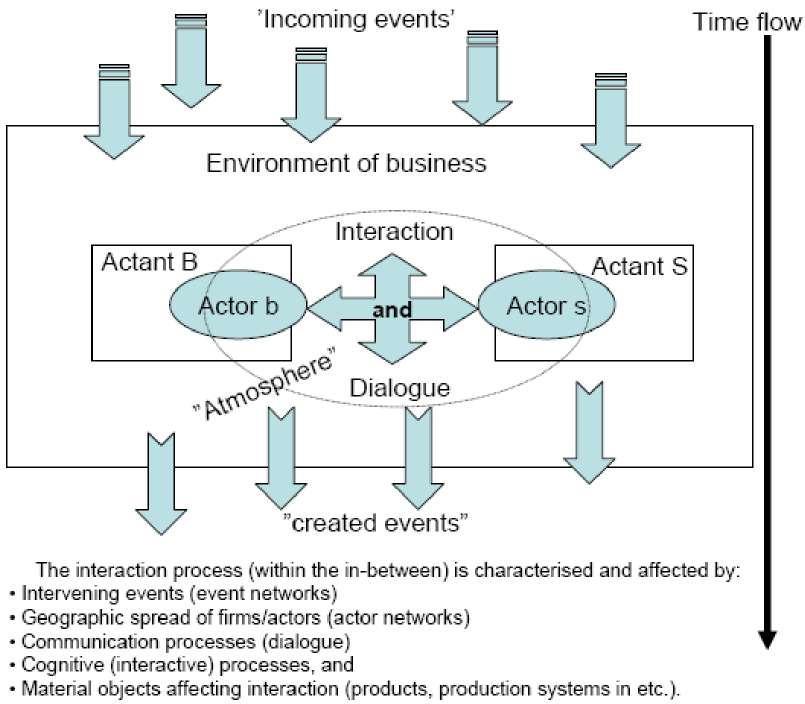
The 'in-between' in interactive processes

The 'in-between' constitutes the situational and contextual factors, communicative processes including those issues that are taken up in a interaction as well as those devices through which interaction between human actors takes place. Some examples can include e.g.:

1. Buyer-seller negotiations
2. Handling relationships between a buyer and a seller in specific competitive situations
3. To develop better products, technological improvement and change
4. To improve logistics and transportation and packaging of products
5. Developing mutual information systems between corporations.

In all these situations the 'in-between' becomes different and will be handled in a specific way in interaction between counterparts. Another key issue is the role of individual actors. The event networks (i.e. the key environment) also frame all processes of interaction between people in business markets and past and present as well as future anticipated events and these affect business interaction (see figure 1). In this figure we distinguish the human actors from their firms within a business relationship, with the firms represented as *actants*. We apply the term actants as the firms appear to act within certain cognitive perspectives, but we want to note the human roles within firm actions. The arrows between actors represent the interaction processes, while the backward interaction arrow indicates indirect effects through change in understanding and also the past loadedness of interaction. The forward interaction arrow represents direct effects within event trajectories and also the forward loadedness of interaction. The “atmosphere” is conceptually the same as in Håkansson (1982), with the additional distinction that it operates across and within the ‘in-between’ of the managers; but does not operate between the firms. This distinction explains why atmosphere changes as managers move on or are replaced.

FIGURE 1. Interaction and the ‘In-between’.



What takes place in interaction between individual managers is a form of person-to-person process that contains many characteristics. The first issue we take up is the role of *dialogue* across the 'in-between'. Dialogue has been defined as: "An exchange of ideas and opinions" and "a discussion between representatives of parties to a conflict that is aimed at resolution" (http://www.m-w.com/dictionary/dialogue). The dialogical perspective notes also a trajectory of past and forthcoming interactions where the past and future demands are developed together through the dialogue. Trust and commitment form a part of this dialogical process in space and time. Memories of the past (in a cognitive and social sense) mean that dialogue is here treated as a more extended concept than interaction, for in addition to the physical aspects of the 'in-between' we include the cognition processes of the human actors. These cognitive processes are also dynamic and meanings change as physical interaction occurs between businesses. These changes in meaning occur through processes that are cognitive and rely on dialogue to communicate and adjust meanings: these processes are more than physical interaction and so can be termed 'interactive' as they also rely on 'meetings of the minds'.

Inter-action across and within the 'in between' has a fluid and dynamic nature, as physical interaction and interactive cognitive processes are combined through time. Interaction constantly changes those actors interacting in a business relationship. The notion that relationships are kept alive for long periods of time does not necessarily mean that they do not change. On the contrary, it seems that everything is changing more or less continuously and at a faster pace than previously. The change takes place also 'in-between', when the actors do not stay in contact with each other, so that other mechanisms and other processes outside the relationship are constantly creating events that directly or indirectly affect a specific relationship.

Therefore a deeper understanding about the 'in-between' and 'dialogue' is needed when attempting to wrap-up what makes relationships start and develop and change over time. In saying this we should also remember the notion from the network and interaction approach that relationships are characterized by “both stability and change” (Håkansson & Snehota 1995). We can understand the contextual factors as the “spatial” dimensions of actor-based networks. There should be certain stability between interacting partners because overly radical changes can lead to relationship termination and more adaptive processes than can be coped with.

A second characteristic concerning interaction and temporality is that it is forming a smaller and dynamic part of a relationship. This takes place through interactive episodes, which necessarily involve changes in cognitive meaning, which build-up relationships (Ford 1990; Håkansson 1982). Interaction also constitutes a process of ongoing communicative acts and reactions to stimuli and information.

A third dimension in interaction is that it is temporally embedded in the past (past loaded) and into the specific situation at hand (its contextual present) and expectations concerning the future (future loaded). This notion has been labeled as the ‘relational’ notion of time (Halinen & Törnroos 1995; Hedaa & Törnroos 2002; Medlin 2004). The same notion has been later noted by Ford & Håkansson 2006, but with different linguistic expressions.

These are, according to our notion, some basic ontological viewpoints dealing with time and space of the interaction approach, when placing the human actor to the fore. Next we explore more deeply the critical distinction between actor and actant so as to highlight further the research opportunities available when humans are brought to the centre of an interaction approach.

Two other approaches on interaction

Actor Network Theory (ANT) in sociology proposes a different view. It does not start by using any assumptions. "It is important not to start assuming whatever we wish to explain" (Law 1992, 380). "Instead we should start from a clean state" (op.cit). The theory argues that the "society and organization would not exist if they were simply social. Agents, texts, devices, architectures are all generated in, form a part of, and are essential to, the networks of the social" (Law 1992, 379). This general starting point resembles basically a grounded theory approach (Glaser & Strauss 1967).

Society is according to this view characterized by the heterogeneous network. The suggestion is that society, organizations, agents, machines etc. are all effects generated in patterned networks of diverse (not simply human) materials. The ANT approach also treats knowledge as a social product.

What follows is that agents, social institutions, and organizations may be seen as a product or an effect of a network of heterogeneous materials. Science would mean that it is a process of "heterogeneous engineering" in which bits and pieces of the social, the technical, the conceptual and the textual are fitted together and so converted (or "translated") into a set of equally heterogeneous scientific products" (Law 1992, 281).

A basic framework of the ANT is that human beings form a social network together with other human beings and endless other materials, so that " … almost all of our interactions with others are mediated through objects of one kind or another" (op.cit. 281-2). This is an important element of the 'in-between', i.e. objects that mediate interaction within and across the 'in-between'.

Actants is used as a term (together with the "actor" term as synonyms) in the ANT-framework. By actants the simultaneous process of heterogeneous engineering takes place.

Actants are considered as being both human as well as material elements in the networking process, which are in a constant change of flux and change through struggle in the social and heterogeneous engineering processes.

These propositions concerning socially constructed realities that make up our world, take different viewpoints to the fore and pose challenges to the industrial network approach. We are here using some of the basic ideas posed by the ANT-approach. In the ANT-approach the role of human managers seems to be underdeveloped, and that is also the case concerning interaction and how it can be defined and developed in research. Here we are especially noting the role of human beings and their interaction as it takes place in the communication 'in-between' these human beings.

Observe that the ANT researchers (see Latour 1999) state that classical sociology is dealing with the relation between agency and structure, whereas the "embeddedness" approach by Granovetter (1985) is "oversocialising" and according to Latour is therefore over-emphasising the role of individuals when attempting to explain (or understand) social processes. The ANT-framework has some thought-provoking ideas but it is fairly elusive in character.

Granovetter on the other hand claims that most research in economics is atomizing individual action; "he or she can be atomized as any Homo Economicus" (Granovetter 1985, 486). The Granovetterian view is that embedded social relations play a crucial role in business and in contemporary society and that social relations are important in order to reveal what takes place in economics and business in general. Socio-historical ties and contextual elements are also important, according to him. "Actors do not behave or decide as atoms outside a social context, nor do they adhere slavishly to a script written for them by the particular intersection of the social categories that they happen to occupy. Their attempts at purposive action are instead embedded in concrete, ongoing systems of social relations (op. cit., 487). At the same time he wants to emphasize not to “under” or “over-socialize” social exchange mechanisms when dealing with economic life.

These different research perspectives suggest a very careful elucidation is required of the ways managers act within interaction contexts and across the ‘in-between’.

The role of artifacts and the 'in-between'

Using these ideas as a springboard, artifacts are playing a notable part in the interactive process between business counterparts. Due to new technology and open markets, devices like computers, video-equipment, fax machines, mobile devices and telecom-systems are ‘in-between’ artifacts that are in constant use in interaction and interactive processes between companies. They are mediating communication over distances and ease business communication.

Even if we live in a hyper-communicated world the amount of inter-personal interaction face-to-face does not seem to diminish in importance.

Inter-personal interaction is often needed when trust is an issue and problematic or critical issues are handled between business counterparts or when the context where the companies operate is in a state of flux. When things are more stable and relationships are working smoothly the artifacts can take care of the interaction to a larger extent. Another issue is when we are facing multi-cultural situations where the roles of interpersonal communication differ between counterparts. Also new and developing interaction and interactive processes and business interests need closer personal commitment. However, modern artifacts are used regularly and new devices and systems are continuously created for making interaction and interactive processes in business easier and more convenient. Artifacts play an important role as an ‘in-between’ factor in current business life. We will not in this paper go deeper into normative and cultural issues, however.

Theoretical Implications

The interaction approach of the IMP Group was developed over thirty years ago (Håkansson 1982; Hammarkvist et al. 1982). During the 1980s new organizational forms started to emerge in the economic landscape. Flexible types of organizations around a hub-company started to exist. Flexible production systems, joint ventures and other cooperative arrangements between business organizations were developed. Also sharing of responsibilities for creating new and overlapping technologies started to develop more systematically (Webster 1992, p.4). Webster notes also that these new arrangements were the result of the fact that in many businesses it became apparent that you could not master all technological and business know-how within one company. Concepts like networks, alliances, partnerships etc. started to appear at the time (Miles & Snow 1986; Thorelli 1986). These notions were developed at about the same time as the interaction approach was put forth in Europe.

If we look at the situation today a lot has happened in the business environment of companies. The world has changed considerably both in a political as well as in an economic-business and technological sense. This has had implications for interaction between business partners. Deregulation, political change, globalization, digital technologies and new business systems drive business of today. Interaction in business is therefore much more many-sided and demanding than it used to be. New technologies and artifacts that are used play a notable role in business interaction and interactivity across the globe. Human-to-human interaction and interactivity still plays a critical role in business markets and can probably never be replaced by technological developments. Cognitive and social imperatives are always forming an important part in interaction in order to achieve an economic outcome. For theory it is important to be able to deal with cognitive, social as well as the economic domains in order to develop further our understanding of business interaction (cp. Granovetter 1985; Håkansson & Prenkert 2002).

More specialization and co-operation between companies in interaction is needed in order to be able to interact as a part of a larger structure in sets of connected exchange relationships, i.e. networks of other players surrounding dyadic relationships. Through outsourcing and new forms of networking in business the interactive and interaction processes become more complex and connected to many other relationships. It is a challenge for theory to aim at developing and understanding interaction in such a setting. Also the role of norms and culture form an important part of such theory developments concerning interaction in business markets.

Finally, as interaction lies at the heart of business processes it is important to deal with interaction as a key mechanism, to deal with environmental uncertainty and as a mechanism for change and adaptation processes in dyadic interaction between companies. The relational notion is one key point and being able to understand what specific processes are placing change processes in motion. Combining interaction and time is according to our view forming a critical theoretical challenge for developing further a theory of business based on interaction.

To sum up. Interaction itself is according to the viewpoints presented here affected by what we have labeled as the 'in-between' and dialogue characterizing interaction. The perspective is human-individual in dyadic interaction in business network situations. The following elements are summarized here in connection to these notions in business interaction:

1. *Dialogue and process* in relational time between human managers (human-human interaction) forms the focal encounter where managers represent their companies. Through them information and adaptation processes are communicated between interacting parties through their mutual histories and future prospects
2. Interaction is to a notable degree *affected and mediated by artifacts*, especially due to new digital technology and systems
3. *Increasingly multi-cultural and complex* processes due to globalisation of business

interaction are at play where interaction is affected by psychic distance barriers

4. Relations are *embedded* directly or indirectly into larger sets of connected companies in networks and between other organizations in society. Interaction is affected by these relationships especially those positioned in the value network of actants
5. *Norms, regulations and codes of conduct* frame interaction and interactive processes between business counterparts
6. Business interaction is *cognitive, social and economic* in character. Meanings change through interactive processes requiring dialogue between managers
7. *Events and sets of connected events* and their history and potential future in specific situational contexts frames the ‘in-between’ issues in interactive processes.

Human interactive processes form a key part in business interaction, but not exclusively because also other ‘in-between’ issues have been considered. The ‘in-between’ notion aims to pinpoint the *interplay* between the cognitive, social and economic (as well as the technological) domains.

Interaction between participants in contemporary international business leads to new associations between the elements of interaction within the cognitive domain. These associations are probably more complex now than previously. These new associations create also new meaning through interactive processes and the ‘in-between’ factors related to the specific problems or tasks at hand. Change in meaning has implications for the nature of interaction in the physical domain as well. The loop between physical interaction and cognitively based interactivity has important implications for how an interaction theory of business markets could be developed further. The relationship atmosphere created between managers through interactive mechanisms is a key factor in forming a mutual cognitive frame between human actors, and the potential outcomes in the physical domain and sets up the needed adaptive mechanisms for continuing interaction between firms. Trust and commitment are key factors in this process.

Distinguishing between cognition, interactive processes, interaction and time gives possibilities for developing theory. In addition we can distinguish more clearly between firm and human actors.

How can we study these types of processes? It is clear that it is a quite demanding undertaking. Getting access to cases where it is possible to closely follow business negotiations would be one possible avenue for empirical investigations. Using historical reconstruction and personal interviews could open up the complexity of what comes up 'in-between' business actors. Using processual analysis and enabling thick and rich descriptions of interaction, interactivity and events in this process could lead to a possibility to unfold the 'in-between' elements and cognitive processes.

Managerial Implications

Using a many-sided framework like the one we propose here aims to get a deeper picture and understanding what really takes place in interaction processes in business negotiations and other interactive processes between human actors. This should enable firms to see how these processes unfold and create meaning and the role of all 'in-between' elements affecting this process. In current business, uncertainty and rapid change is a natural state. Therefore all forms of factors that can reduce uncertainty are important for companies. Having good adaptive skills and understanding what is important in those key relationships we have invested in can reduce this uncertainty. Our idea here is that the 'in-between' elements might play a crucial role in the interaction setting and situations firms face in intelligent competition. The IMP interaction framework is a good starting point, but can be developed further by getting a more thorough understanding of the cognitive and social domains in business interaction as well as their economic outcomes.

To know how technological systems and artefacts play in handling interaction and interactive processes and to solve mutual problems can also aid managers to see when and how these systems work and when interpersonal interaction and the cognitive domain can be used through person-to-person communication. There can be decisively different situations to handle in diverse cultural contexts, for example. Another managerial issue is when conditions change and unforeseeable events create new and problematic situations. How a company can react and communicate using the 'in-between' elements for solving these problems forms a practical issue to consider and develop.

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Kimmo Alajoutsijärvi

CUTTING DOWN RELEVANCE GAP IN BUSINESS SCHOOLS: WHAT, WHY AND HOW?

Abstract

There is a deepening concern among critical business scholars that a significant gap exists between the research and teaching of business schools and management practices. For instance, several top level journals have featured special issues built around the trepidation that academic research has become less useful for solving practical problems. Similarly, for instance, a survey of the Academy of Management members by Shapiro, Kirkman, and Courtney (2007) reported the existence of two types of gaps between schools and practice: the "lost in translation" gap when managerially relevant research fails to reach practitioners and the "lost before translation" gap when managerially relevant research is not undertaken by academics.

In this paper we put forward the argument that business schools have to be both rigorous and relevant (cf. Ghostal, 2005; Vermeulen, 2005, 2007, Walsh, Tushman, Kimberly, Starbuck and Ashford, 2007). Firstly, we summarise the key publications on managerial relevance in the business school context by attempting to answer the question of what is meant by managerial relevance in business schools? Then, we outline the key explanations for why we have managerial relevance problems in business schools. Finally, we consider the major processes that are likely to help to solve relevance gaps in business schools.

Keywords: Relevance management practices, business schools

Kimmo Alajoutsijärvi, University of Oulu, P.O. Box 4600, 90014 University of Oulu, Finland.

Introduction

An alarming example of the decline of managerial relevance in business schools is the initiative of the Association to Advance Collegiate Schools of Business (AACSB) “tenure track” education for PhDs in economics, engineering, mathematic, psychology, sociology, and statistics. They market their program by stating that “much higher salaries (in business schools) are now possible following completion of an AACSB-endorsed seven-week intensive bridge program”[1]. If a highly appreciated association[2] of business schools believes that doctors from other fields can be transformed into “new doctoral faculty for high-paying, tenure track positions” in seven weeks, the threat to the present and future managerial irrelevance of business schools has to be taken seriously!

Simultaneously, there is a deepening concern among critical business scholars that a significant gap exists between the research and teaching of business schools and management practice. For instance, the British Journal of Management (2001), Administrative Science Quarterly (2002) Academy of Management Executive (2002) and Academy of Management Journal (2007) have built special issues around the trepidation that academic research has become less useful for solving practical problems. Similarly, for instance, a survey of Academy of Management members by Shapiro, Kirkman, and Courtney (2007) reported the existence of two types of gaps between schools and practice: the “lost in translation” gap when managerially relevant research fails to reach practitioners and the “lost before translation” gap when managerially relevant research is not undertaken by academics.

More critically, Bennis and O’Toole (2005) claimed that business schools have lost their way in the last 30 years primarily because they have focused too much on doing “scientific” research and ended up hiring professors with limited real-world experience who

[1] http://www.aacsb.edu/bridgetobusiness/default.asp
[2] The Association to Advance Collegiate Schools of Business is globally recognised as the premier accrediting agency for business schools worldwide.

produce research and teaching that is not relevant to managers. In addition to above Markides (2007) in turn argues that not only academic researchers themselves rarely turn to managers for developing their research agenda but also that practicing managers do not turn to academic research for guidance.

This long-lasting debate among management scholars concerns the rigour, or methodological soundness, of our research and teaching versus its relevance to practice and managers. This issue has mostly been seen as a trade-off situation. Following this argument the specific studies, researchers, journals, and even universities are put into the dichotomy and located into the extremes of the artificial rigour-relevance continuum (see e.g. Gulati 2007; Shapiro, Kirkman & Courtney 2007; Vermeulen 2007; Starkey & Madan 2001). Gulati (2007) argues that this debate is largely socially constructed by forces both internal and external to business schools. Further, it is perpetuated by these "tribes" that form around rigor and relevance, sequestering themselves into closed loops of scholarship and dismissing the work of outsiders on the basis of their inclusion or exclusion of theory or of practical applications.

The current rigour-relevance debate is the most strategic issue for business schools and their faculties. In this paper we put forward the argument that business schools have to be both rigorous and relevant (cf. Ghostal 2005; Vermeulen 2005, 2007; Walsh, Tushman, Kimberly, Starbuck & Ashford 2007). Furthermore, we argue that business schools' research and teaching cannot really be rigorous without being relevant. We argue that only if theory is developed in close interaction with reality, will it reveal true insight. Without a deep understanding of organisations and the problems they face, we may study the wrong things, interpret results incorrectly, and generate findings that only seem to be rigorous.

Firstly, we summarise the key publications on managerial relevance in the business school context by attempting to find an answer for the question of what is meant by managerial relevance in business schools. This question is very much related our understanding and definition of rigour. The comparison analysis of rigour and relevance are made, since the concept of rigour helps us to understand the concept of managerial relevance. Then, we outline the key explanations, why business schools have a managerial relevance problem. Finally, we consider the major factors and processes that are likely to affect and enhance the extent to which business schools can develop managerial relevance both in research and teaching.

What is meant by managerial relevance in business schools: a summary of the recent debate

One of the starting points of the relevance debate in this decade was the special issue of the British Journal of Management in December 2001. The leading article by Ken Starkey and Paula Madan was titled "Bridging the Relevance Gap: Aligning Stakeholders in the Future of Management Research".

Starkey and Madan illustrate the fundamental background of the relevance gap by using Gibbons' (Gibbons et al. 1994) dichotomy of knowledge modes. Gibbons and his colleagues argue that we are seeing a fundamental shift in the ways in which knowledge is being produced, affecting not only what knowledge is produced but also how it is produced. Academic research usually follows so called Mode 1 knowledge which is well-known in the hard sciences like physics and chemistry. It is typically disciplinary, theoretic, peer reviewed and published in scientific journals. Typically Mode 1 is also more concerned with theory than practice with how the world works considered at a theoretical level.

Mode 2 knowledge, in turn, is more localised, temporary, transient, trans-disciplinary and socially accountable. It is more concerned with how knowledge works in practice in the context of application. Thus, in Mode 1 it is conventional to speak of science and scientists, while the aspirations of Mode 2 are more relevant to practitioners.

Easton (2000) points out that the English word relevance derives from the French word "relief" and offers the synonyms "aiding, assisting or helping". Yet while he recognises that this definition captures most of the meaning of the word in general, it is not quite what business scholars mean in terms of academic debates. According to him few academics would go as far as to say that business scholars exist in order to help managers, which sounds too proactive and close to consultancy. Easton (2000) argues that relevance as used in the academic context means something closer to "may help" or "has a potential for assisting". Similarly, Vermeulen (2007) argues that relevance is not necessarily about immediate prescription. Relevance is found in generating insight that practitioners find useful for understanding their own organisations and situations better than before. This should enable managers to make better decisions regarding their own specific company situations.

Following Easton (2000) and Vermeulen (2007) there is a feeling that what academics offer as relevance is volunteered in a passive mode. This is because business scholars feel that the researchers should remain outside the fray, aloof and objective. Perhaps it is because of the trepidation that business scholars might feel about offering help that may not help at all.

Easton (2000) makes an interesting distinction between statistical significance and managerial significance. The former means that there is a detectable relationship; the latter requires that the relationship be strong enough to lead to accurate predictions. According to Easton, few studies meet that requirement.

Tushman and O'Reilly (2007) follows Donald Stokes, who in his famous publication "*Pasteur's Quadrant: Basic Science and Technological Innovation"* (1997) suggested that the classic distinction between "basic" research (performed without practical ends, intended to develop general knowledge and an understanding of nature and its laws) and "applied" research (performed in the service of some immediate end) is both inaccurate and pernicious. Instead, research can be undertaken both as a quest for basic understanding (rigour) and with considerations of use (relevance).

Stokes (1997) proposed that understanding and use are orthogonal, not at the opposite ends of a continuum. In his view, research can be evaluated on two dimensions: (1) the degree to which a quest for basic understanding motivates it and (2) the extent to which it is an attempt to solve a particular problem. Some research is undertaken in an effort to improve understanding of a phenomenon, with no thought of specific use (e.g., Neils Bohr and the discovery of atomic structure). Other research is done simply to develop applied uses (e.g., Thomas Edison and the invention of the phonograph), and still other research emerges from both a quest for fundamental understanding and a desire to apply the findings (e.g., Pasteur and the development of microbiology). Where conventional academic disciplines are typically about a quest for understanding (*rigour*) with little thought of use (*relevance*), business schools are about both—and thus, operating in Pasteur's quadrant—with research that is both rigorous and relevant.

TABLE 1. Characteristics of rigour and relevant research.

	Rigour	**Relevant**
In quest of	Understanding	Use
Nature of knowledge	Knowledge at the theoretical level, ideally is statistically significant answers	Knowledge as it works in practice in the context of application, ideally managerially significant answers
Research agenda	Builds upon existing literature	Managerially interesting questions
Discipline base	Disciplinary, more concerned theory than practice, peer reviewed and published in scientific journals	Less concerned discipline base, trans-disciplinary, localised, temporary, transient, socially accountable
Methodological concerns	Skillful use of methodologies, arguments supported empirically through careful data collection and analysis	Not concerned the conventional requirements of positivist science
Knowledge development	Adds incrementally to a body of knowledge	Tend to emphasise a ”big idea”
Chain of reasoning	the various elements of a theory are consistent, that potential propositions or hypotheses are logically derived, that data collection is unbiased, measures are representative and reliable	to develop new insights that help managers understand themselves and their organisations better, the conclusions are far more important than “the steps to the end”
Audience	Academics	Managers

Thus, as professional schools located within universities, business schools have an obligation to serve multiple masters, Tushman and O’Reilly (2007) argue. As a responsible actor, business schools must contribute to the development of fundamental ideas and concepts, in the service of knowledge building, even as they link these ideas and concepts to the reality of practitioners. This is different from disciplinary departments, where research can be done unencumbered by the criteria of relevance. Therefore business school faculty have a different, and more substantial, standard.

Markides (2007) emphasises the differences in what business people and academics value. Academics value a carefully crafted argument that builds upon the existing literature, is supported empirically through careful data collection and rigorous analysis, and incrementally adds to the body of knowledge. Managerially relevant research, on the other hand, tends to emphasise a “big idea” and is not particularly concerned with rigorous analysis or the conventional requirements of normal, positivist science. Similarly, academic researchers tend to see other academics as their reference group they aim to communicate primarily with fellow academics and derive their senses of worth and identity from this reference group. Managers see themselves as the primary audience of research and hope to develop insights that help managers understand their organisations better.

Based on the discussion above it is fair to note that rigour and relevance demands of business schools are diverse and challenging, maybe also partly confrontational as Table 1 shows.

Why do we have managerial relevance problem in business schools: a collection of explanations

Mintzberg’s critique (2004) on research-based management education is severe. He argues that the conventional business school education trains the wrong people in wrong ways causing unwanted consequences. The main reason for the loss of relevance is that business schools in general overemphasise the science of management, while ignoring its art and denigrating its craft, leaving a distorted impression of its practice. According to Mintzberg, we must understand the nature of managerial work before we can develop proper management research or education. He emphasises that management is a practice that has to blend a good deal of experience with a certain amount of insight and some science-based analysis. Business schools’ management education reduces managing to decision making, decision making to analysis, and analysis to different techniques. However, in the practice of management, soft skills are mostly needed.

According to Mintzberg, management education built around disciplines not only fails to develop managers, but gives students a false impression of managing. First, business schools are coalitions of functional interests formed by disciplines. Business schools do not research or produce teaching material that cuts across the specialised functions, but they do so within particular functions.

> “Management is not marketing plus finance plus accounting and so forth. It is about these things, but it is not these things. Pour each of these functions, of a different colour, into that empty vessel called MBA student, stir lightly, and you end up with a set of specialized stripes, not of blended managers.” (Mintzberg 2004, p. 33)

Fairly similarly, Bennis and O’Toole (2005) point out that the main reason for relevance loss is the aspiration of business schools to have the same standards of academic excellence as are embraced by hard disciplines. In sciences like physics and economics, top faculty members have few responsibilities other than attending to their discipline. They are not required to train practitioners or to demonstrate practical use of their work. Instead, Bennis and O’Toole argue that business schools should follow schools of law or medicine, where most members of the teaching faculty are also practicing lawyers or doctors.

Bennis and O’Toole (2005) argue that business schools have chosen the “scientific model” intentionally, because it makes things easier. Although scientific research techniques require considerable skills in statistics or experimental design, they call little insight into complex social and human factors and minimal time in the field to discover the actual problems faced by managers. According to these authors, the problem is not that business schools have embraced scientific rigor as such but that they have forsaken other forms of knowledge. Several culprits have been identified in the literature. The authors go on saying that the academic system does not encourage managerially relevant research. For example, Bennis and O'Toole claimed this: "The dirty little secret at most of today's best business schools is that they chiefly serve the faculty's research interests and career goals, with too little regard for the needs of other stakeholders" (p. 103)

Markides (2007) presents an obvious reason for the gap: it is hard to be both rigorous and relevant. This dilemma surfaces because the set of skills, values, mind-sets, and attitudes that are needed to conduct rigorous academic research are fundamentally different from the set of skills, values, and attitudes needed to conduct managerial research. According to this argument, not only are the types of skills and mind-sets needed for academic research different from the skills needed for managerially relevant research, the two skill sets also conflict.

Markides (2007) also builds upon the work of Senge (1990), who argued that the underlying structure of a system creates the behaviours we see in that system. If one defines the "underlying structure" to include an organisation's cultures, structures, values, and incentives, then the implication is clear: the underlying structure of the academic system does not encourage managerially relevant research, and only a systemic change can bring about the desired results.

According to Markides (2007) the key to why business schools are not capable of changing such a sick system—especially in the face of increasing pressure from capital providers. The basic argument is that the lack of pressure to change a system that serves academics well can be traced back to the economics of the business education industry. Because of a growing market that creates excess demand for business school professors as well as an industry structure (i.e., the five forces of the academic industry) that gives academics the bargaining power, most academics will remain intransigent in the face of calls for more managerially relevant research. Only a dramatic drop in the demand for business professors or their oversupply could lead to changes in the system. One of the alarming examples of the business school professor shortage is mentioned above in the initiative of the Association to Advance Collegiate School of Business (AACSB) is that "tenure track" education for PhDs comes from other fields like economics, engineering, mathematic, psychology, sociology, and statistics.

Van de Ven and Johnson (2006) examine three related ways in which the gap between theory and practice has been framed. According to them, the gap between theory and practice is typically framed as a knowledge transfer problem. This approach is based on the assumption that practical knowledge (knowledge of how to do things) in a professional domain derives at least in part from research knowledge (knowledge from science). Hence, the problem is one of translating and diffusing research knowledge into practice. A second approach views knowledge of theory and practice as distinct kinds of knowledge. Each reflects a different ontology and epistemology for addressing different questions. The knowledge of theory and practice are different, this is not to say that they stand in opposition or substitute for each other rather, they complement one another. This leads to a third view, altogether that the gap between theory and practice is a knowledge production problem. After reviewing the problems and assumptions of the first two approaches, Van de Ven and Johnson (2006) propose a method of engaged scholarship in which researchers and practitioners co-produce knowledge that can advance theory as well as practice in a given domain.

In summary, in the worst case, the academic system does not value managerial relevance very much, particularly when it comes to fundamental changes of the system, since rewards for relevance are, at least within this system, largely absent. Moreover, there may be even a potential social cost that goes beyond lowered "academic output." A silent majority of scholars in business studies advocate disinterest in practical matters as a means to achieve objectivity, scientific or otherwise (Vermeulen 2007; Palmer 2006). Trying to "speak to practitioners" and receiving recognition from them may even carry the risk of stain and stigma, and potential disdain and removal from the in-group of “serious academics” (Gulati, 2007).

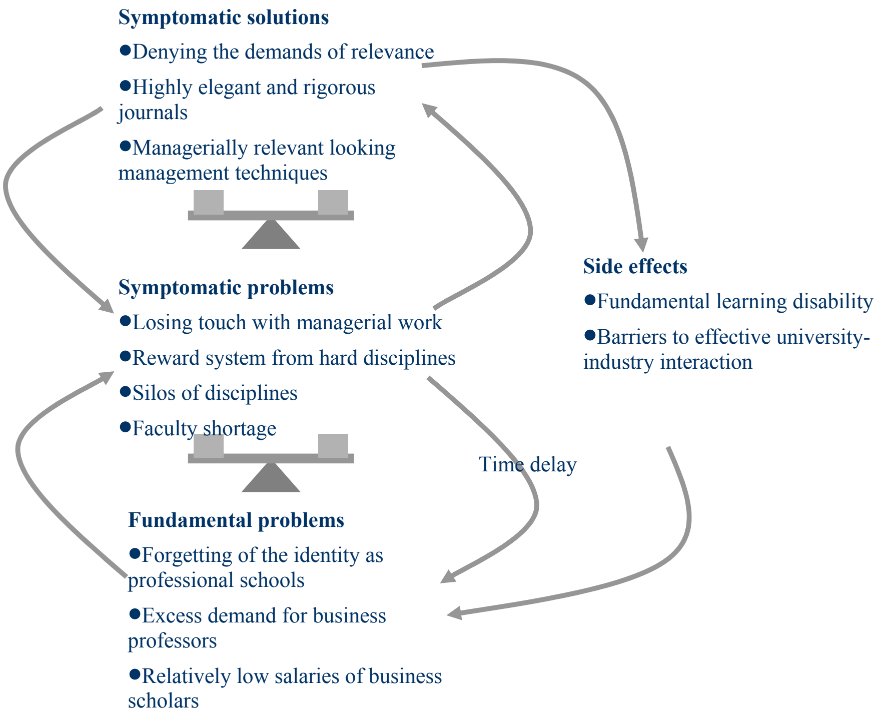
How can business schools develop their managerial relevance?

Based on the previous discussion we go on analysing relevance problems in the spirit of Senge (1990). Especially, when structuring the problems we use Senge’s shifting the burden archetype that is common in organisational lives (see Figure 1). In this structure, underlying fundamental problems generate problem symptoms that demand attention. However, the underlying problems are difficult for people to address and avow, either because they are obscure, costly or politically sensitive. Therefore people “shift the burden” of their fundamental problems to other solutions, typically easy fixes which seem to be efficient. Unfortunately, the easier “solutions” only ameliorate the symptoms; they leave the underlying problem unaltered.

Shifting the burden is composed of two stabilising processes (Senge 1990, p.381). The top circle represents the symptomatic interventions, which solve the problem but only temporarily. Often, in the shifting the burden structure there is also an additional reinforcing process created by “side effects” of the symptomatic solutions. The side effects make it even more difficult to invoke the fundamental solutions. If it is just symptomatic solutions that are being applied, the fundamental solutions might be ignored. No pressure is building up to undertake the deeper, more far-reaching fundamental solutions.

Fundamental problems and symptomatic problems and their solutions are relative terms (Senge 1990, p. 112) and what is valuable is recognising the multiple ways in which problems can be addressed, from the most fundamental to the most superficial. In Figure 1 we have labelled three of the most fundamental problems: forgetting of the identity of professional schools, excess demand for business professors and relatively low salaries of business scholars. As symptomatic problems we position loosing their grip on managerial work, a reward system from hard disciplines, silos of disciplines and the ongoing shortage of the doctoral faculty. The business schools have created “easy fix” solutions for symptomatic problems, which we have identified as denying the demands of relevance, highly elegant and rigorous journals, managerially relevant looking management techniques (cf. Easton 2000) and the types of AACSB-bridge programs as curiosities. As side effects of this structure, we see that the business scholars’ ability to successfully learn the “rules of the game” has created a fundamental learning disability for the industry of business schools as a whole as far as real and true actions for managerial relevance is concerned. It is paradoxical that the more successfully the business scholars take advantage of the system, the more difficult it is to solve fundamental problems, for instance, because of growing barriers of university-industry interactions.

FIGURE 1. Senge's shifting the burden archetype.



According to Senge (1990, p. 110) dealing effectively with shifting the burden structures requires a combination of strengthening the fundamental response and weakening the symptomatic response. The former almost always requires a long-term orientation and sense of shared vision. The latter in turn requires willingness to tell the truth about palliatives and looking good for solutions. Shortly, business schools should focus on fundamental problems because symptomatic problems and their solutions are so imperative due to delays in fundamental solutions.

We suggest the four loops system (cf. Vermeulen 2007 p.757) for enhancing relevance without losing rigour (see Figure 2). Many of these loops are the parts of present activities in most business schools. However, it may be true that these patterns of actions are not clearly connected to the rigour and relevance demands of business schools.

All researchers participating in the international research communities read the literature, especially journal articles of other academics, and attempt to connect his or her own research with the work of others by writing in academic journals to reach that same audience (Loop 1). Typically this community emphasises in the rigour or the aspects of internal validity (see Winer 1999; Calder & Typout 1999) of research. Of course, in addition to this, the publication has to communicate in accordance with the target researchers to convince them of the contribution of the findings. The only community to whom the rigour really matters are the other researchers. Therefore, the purpose of this loop is to counteract the tendency of understating rigour pretty typical in other communities.

Many business schools would argue that the characterisation of business schools has been overdrawn in the current debate. For although symptoms identified (ivory tower, no relevance, no connection to real life) can surely be found, there is much going on at many business schools that is inconsistent with this portrayal (Walsh et al. 2007). There are schools that have clearly added a relevance testing in firm-specific contexts (Loop 2). This engages firms and their managers directly, as a source of insight into informed research at its inception, but also as a group of recipients of the research when it is completed. Ideally, the cross-disciplinary teams break silos of disciplines and build bridges between faculty members who in turn interact with managers trying to understand and influence practice and the practising managers who sponsor the school.

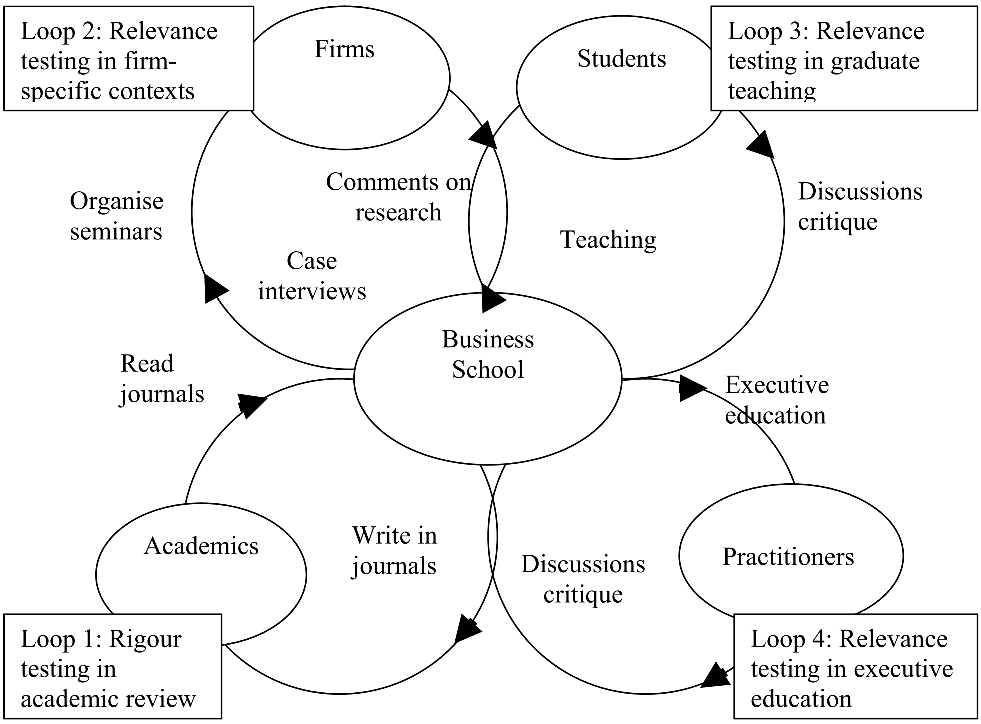
This is very much what Van de Ven and Johnson (2006) have suggested. They argued that the quality as well as the impact of research improves substantially when researchers do four things: (1) confront questions and anomalies existing in reality, (2) organise the research project as a collaborative learning community of scholars and practitioners with diverse perspectives, (3) conduct research that systematically examines not only alternative models and theories but alternative practical formulations of the question of interest, and (4) frame the research and its findings to contribute knowledge to academic disciplines, as well as one or more domains of practice.

Typically these research projects are totally financed by the specific firms or jointly with a group of firms and public funds. Normal activities of business schools include marketing research capabilities and projects, negotiations with corporate managers, interviewing company informants, organizing seminars, delivering research results and receiving critiques and suggestions. This is intensive, direct interaction with practitioners intended to enrich understanding of the research subject. Through these projects, it may even be possible to motivate senior executives to be involved in the study programmes as co-supervisors of master and doctoral theses.

This also provides insights for writing teaching cases and managerial articles as well as executive education. The company-financed research projects also create also possibilities to write teaching cases combining both of one's academic research and the firm-specific reality. These cases can partly be based on public and archival sources, but mostly on talking and listening to the people within organisations and its industries. Moreover, it will likely have positive effects, such as making teaching easier and more enjoyable once the case is used in a class (Walsh et al. 2007). Most importantly, time spent in organisations will enrich our understanding of the research subject, which, in due course, will facilitate research design, execution, and interpretation of results

Last, but not least these types of research projects are not typically counted as belonging to the regular academic work load, which gives business schools possibilities to pay additional fees to the researchers. An additional suggestion and earning opportunity could be to write a managerial article. Such an article can be based on the teaching cases, the work of others in the same field, and specific examples or qualitative information from the research project interviews.

FIGURE 2. The four loops system.



The Relevance testing in graduate teaching (Loop 3) is the training of the next generation of managers. It is easy to agree with Mintzberg (2003) that graduate students typically tend to be too inexperienced for deep reflective learning. This makes enhancing their management capabilities challenging. However, unlike Mintzberg (2003), we believe that it is possible.

Generally speaking graduate students are talented with about 90 % of them only interested in business career. Therefore, in teaching we face mostly bright, motivated and practice-oriented students. This reality aligns incentives well so that faculty members both do research and think about its practical importance. The future generation of managers is also an excellent platform for testing our capabilities of theory dissemination, since the gaps of world view may sometimes even be wider between these students and the tenured faculty members than for instance between the older generation professors and executives.

The fourth loop “Relevance testing in executive education” differs remarkably from loop 3. The participants are experienced managers typically in their 40s and 50s. In this regard, executive teaching is another great forum for interaction with practitioners. Typically executive programs are rather expensive and the participants feel as if they are more or less customers, the power relationship is more balanced than in the case with graduate students. Practical experience, successful careers and power balance make executive education a great possibility for promoting faculty interaction with practitioners in ways that faculty members can submerge themselves in the worldviews and argumentations of executives.

Generally speaking, executive education is more demanding than teaching at the graduate level. For instance, it compels faculty members to improve their communication skills. Typically it also creates possibilities for the school to pay additional salaries to faculty members, which partly help the fact that the business scholars are lower paid than their colleagues working in the field of business.

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Eeva-Katri Ahola, Johanna Moisander, Elina Oksanen-Ylikoski, Anu Valtonen, Anne Äyväri

FORGOTTEN PERSPECTIVES ON MARKETING

Abstract

This paper takes a sociology-of-science -studies perspective on the epistemic practice of marketing. We look into marketing research as a social practice and discuss the ways in which marketing scholars exercise power in the field—act upon the actions of and structure the possible field of action for different market actors—by framing marketplace activity in particular ways and by mobilizing particular modes of subjectivity for market actors. We argue that to promote creativity, polyvocality and intellectual rigor in the field, many of the received ways of conceptualizing and framing research problems need to be problematized and more attention needs to be directed to the value laden nature of conceptual frameworks in the "normal practice" of marketing research.

Keywords: Marketing theory, sociology of science, marketing ethics, entrepreneurship, sales management, marketing intelligence, consumer research

Dr. Johanna Moisander, Department of Marketing and Management, Helsinki School of Economics, P.O. Box 1210, FIN-00100 Helsinki, Finland.

Introduction

We illustrate our argument with four examples of ‘forgotten topics’ in different sub-fields of marketing research. Each account elaborates on the ways in which particular forms of subjectivity tend to be excluded, ignored or overlooked in the normal practice of marketing research. The forms of subjectivity we discuss are:

- Consumers as creative producers
- Salespeople as moral subjects
- Entrepreneurs as collective actors, and
- Employees as epistemic subjects and informants of market intelligence.

We take the view that the appropriateness and adequacy of theories and methodologies may not be assessed simply in terms of its analytical ability nor in terms of the guidance it offers for marketing practitioners. With many feminist scholars, we maintain that scholarly work must also be assessed in terms of its general political implications and that as academics and social ‘scientists’, marketing researchers have an important political role and responsibility in society.

Over all we wish to provoke discussion and raise some critical questions concerning the role of marketing scholars as political and moral agents in society. It is the thesis of this paper that scholarly work carries moral authority and inevitably involves participation in relations of power whether or not the ‘scholars’ themselves are aware of it. There is, therefore, a need to reflect critically on the ways in which this power is or should be used or defused in marketing research.

The paper is organized into four sections, in which some of the forgotten topics and perspectives of mainstream marketing research are briefly discussed. In the sections that follow, Eeva-Katri Ahola first discusses consumers as creative producers. Then Elina Oksanen-Ylikoski sheds light onto sales people as multifaceted social subjects and Anne

Äyväri elaborates on the nature of entrepreneurs as collective actors. Finally, Anu Valtonen sets out to re-think employees as epistemic subjects. To conclude, the ethical and political dimensions of scholarly activity in the field of marketing research are discussed at a more general level.

Consumers as creative producers: theaters of consumption

Traditionally marketing literature has regarded consumers as fairly passive objects of various marketing operations. In today's postmodern culture, however, it is no longer fruitful to view the nature of consumers from this perspective. A more appropriate way is to see consumers as creative actors who are actively engaged in marketplace activity. In this section, it is argued that fundamental changes are currently taking place in the relationship between consumers and marketers and that these changes increase the need for deeper insight into the nature of consumers as human beings and their everyday experiences and activities. The following paragraphs further elaborate this argument, using the metaphor of theater discussed in Firat and Dholakia (2006) as a conceptual tool.

Modern theatre is a 'staging' of artistic expressions of human condition. In addition, it has been a means of reflecting the variety of aspects of humanity to 'spectators' for purposes of entertainment, education, reflection, or discussion. In modern theatre, professionals re-present stylized moments of everyday contexts. The stage is accessible only to professional actors, and the show is directed from the 'backstage', based on screenplays. In this line of thinking, the audience/consumers is denied the possibility of being on the stage. The role of audience is rather to reject or accept the show.

Similarly, in much of mainstream marketing literature consumers have been conceptualized as fairly passive respondents of marketing activities. Their role in the marketplace has been limited to buying/not buying the products and services offered by organizations. From this perspective, consumers are understood as solitary goal-oriented decision-makers who aim to maximize their subjective expected utility (cf. Moisander & Eräranta 2006, 175, 176).

The contemporary postmodern approaches to marketing, in contrast, seek to enlarge the stage and make it more inclusive for consumers. This means that the distance between the marketing organization and the consumers is becoming narrower. Consumers are regarded as active, innovative and creative producers whose voice is more present in the marketplace than ever before. They are viewed to produce knowledge and meanings of their experiences, innovations and creations. Moreover, nowadays these meanings do not necessarily remain private because consumers are provided with media tools through which they can make their private meanings more public. In practice, meanings related to consumer experiences and creations circulate in the marketplace in the form oral stories such as word-of-mouth recommendations or written stories such as public opinion writings or writing in the blogs and discussion forums from where they are received and reproduced by other marketplace actors such as marketers (Ahola 2007). Consumers are no longer seen as ‘end users’, located at the ‘end’ of value chains. Instead, they are regarded as producers who are linked to each other and to the organizations in value-producing and value-transferring networks.

Thus, from a postmodern view both marketers and consumers are active actors in the marketplace. Active, innovative and creative consumers are important partners in knowledge production e.g. in product development. There may be a danger however, that the traditional understanding of marketers as active and consumers as passive parties of the marketer-consumer relationship continues to dominate. In practice this could mean that active and creative consumers are gradually becoming merely as information sources or even “slaves” of knowledge production**.** How then is it possible for marketers to create a true dialogue with consumers where the spirit of creativity remains vital?

From a postmodern perspective, marketing is regarded as facilitator of processes for consumer rather than a supplier of finished products (Firat & Venkatesh 1995). Creative process is an example of processes that marketing can facilitate for consumer. For marketing the role of being a facilitator means new ways of understanding the nature of activity in the marketplace. Especially it means that the focus of action moves from rather old fashioned aggressive persuasion to more tactful presence in the marketplace.

Moreover, a true dialogue with consumers requires a more profound understanding of the nature of consumers, their experiences and everyday life. Especially important is to gain insight into the types of experiences that are meaningful for post-consumers. It has been said that the postmodern has meant a return to/of community (Maffesoli 1996; Firat & Dholakia 2006). For consumers the quest for meaning and substance, and immersion into rich experiences are only possible through participation in and the active construction of communities. Therefore, consumers can no longer be seen as solitary agents but rather as communal agents who instead of belonging to a culture or a lifestyle negotiate one or more communities.

By way of conclusion, we propose the metaphor of *improvisational theatre* as a tool to be used to rethink the consumer-marketer relationship in the postmodern marketplace. In this form of theatre, actors use improvisational acting techniques to perform spontaneously. Improvisational groups frequently solicit suggestions from their audience as a source of inspiration and as a means proving that the performance is not scripted. Audience suggestions are used to create the setting, the dialogue and the plot extemporaneously. The co-operation produces unique performances. In the pursuit to encounter consumers tactfully in the postmodern, global marketplace, the skill of listening becomes an important talent for the marketing performer. Through a better understanding of the consumer it is possible for marketing to develop its new role as a facilitator and simultaneously to increase its spontaneity and agility in the marketplace.

Sales people as multifaceted social subjects

This section argues that in order to understand rapidly changing sales practices in wider social contexts, other than academic knowledge producing communities as well as alternative epistemological and methodological approaches are needed to re-evaluate and complement the established, functionalist view on selling and sales people.

Organizations' personal selling and sales management functions have traditionally been studied along a relatively narrow and uniform stream of research in the cross-section of mainstream organizational behaviour and marketing literature. The uncontested core of the dominant sales research is grounded on the functionalist epistemological and methodological assumptions on objective reality, the emphasis on socio-psychological and sociological role theories, and engagement in consequent knowledge production processes.

Within the sales literature, especially the attempts to understand and improve salesperson performance have generated a considerable amount of research. The focus of this research is on the relationships and impacts of various personal, organizational, and environmental variables on sales performance (Plank & Reid 1994). In these studies, one of the key constructs has been the concept of role, which has been used to link the individual characteristics - such as personality traits - of persons occupying a selling job to the functioning of the larger social system, usually to the performance and effectiveness of a sales organization. This line of research has provided a solid and widely accepted conception of the general nature of the sales people roles within the marketing literature.

However, several changes within academic organizational and marketing fields – a shift from transaction-focused marketing into relationship-based marketing, a shift from hierarchic sales organizations into networks of co-operative actors, and a shift from passive, receiving customers into active participants - (Wotruba 1991; Anderson 1996; Walter 1999; Weitz & Bradford 1999; Yilmaz & Hunt 2001) have anticipated major changes in sales people roles. Instead of focusing on 'order getting, transactions and closing" (Jolson 1997), contemporary boundary spanners are expected to handle several long-term relationships successfully both inside and outside the organization. Co-operation among co-workers (Yilmaz & Hunt 2001) as well as with customers (Wotruba 1991; Wietz & Bradford 1999) has become a critical issue in personal selling and sales management area.

New role requirements have been suggested to occur among managers, co-workers and customers as well as among salespeople themselves. In the 'era of the co-operative salesperson' (Yilmaz & Hunt 2001), sales people roles are expected to include behaviours, which have traditionally been excluded (or conceptualized as extra-role behaviours) from the theoretical construction of sales performance.

Despite the seemingly shared view of the paradigmatic as well as practical changes in sales organizations' environment, the above cited concerns have not had significant consequences for knowledge creation practices within the academic community. The functionalist view along with its methodological engagements is still taken for granted and normalized e.g. in publication procedures of the research articles, and thus provide a 'received' view within the academy. A majority of sales research is still built on the existing theoretical models with the consequent models on how to collect, analyze and evaluate data, and turn it into the academic knowledge of selling (see e.g. Plank & Reid 1994; Leigh et al. 2001).

As such, concurrent sales researchers exemplify a solid scientific community, with

> …bodies of theories, accepted procedures, questions, and projects defining such communities; and membership being a function of education in and allegiance to community-specific knowledge, standards and practices (Nelson 1993: 148).

The academic community is commonly understood as primarily interested in advancing theories, and on the basis of these theories, providing objective knowledge back to studied practitioners. In a similar vein, practice is often defined as 'action as opposed to theory'.

This view presumes that the sciences in particular constitute a pure, value-free method of obtaining knowledge about the natural world and practitioners' life, and entails strong presuppositions of the mutual relationships of diverse communities and knowledge. Above all, this view presumes communities and the knowledge that they create as unequal and hierarchic. As Longino (2002: 124) notes: 'It is tempting to think that scientific knowledge is like ordinary knowledge except better'.

As an alternative, several postmodern/constructionist and feminist scholars suggest that scientific communities are not the only epistemological communities. Many other communities such as professional associations, practitioner groups or consumer clubs develop and share knowledge and standards. Most importantly, this view maintains that knowledge is not constructed by individuals but by an interactive dialogic community, in which individuals and groups holding different points of view engage with each other (Longino 1991; Nelson 1993; Searle 1995; Gergen & Thatchenkery 1996).

Form the social-constructionist perspective, all representations of sales people are constructed on the basis of fundamental epistemological and ideological assumptions and beliefs within each community. Any given community is likely to supply a whole range of ways of talking about or constructing an object or event, and community members are therefore bound to make choices (Edley 2001). In this view, academic community like any other community is only one epistemic agent among others, negotiating and contesting its own theories of selling and sales people with other communities. As a consequence, to understand rapid changes in organizations' selling function, also other communities than academics could be considered as valuable producers of knowledge, and as such, should be engaged into a proactive dialogue with academics.

Accordingly, all knowledge producing communities - like e.g. the media and direct selling professionals - create conflicting social realities of selling through their own established discourse practices (Oksanen-Ylikoski 2006). A meta-analysis of the prior literature, discourse and rhetorical analyses of selected texts, as well as interpretative intertextual analysis of relations between texts, discourses and socio-cultural practices, all provide methods to identify dominant discourses within diverse communities. In this view, to say something about texts produced in different communities, both presumes and enables us to say something about social communities and the interaction creating the texts (see e.g. Fairclough 1995:62 on analysis of the socio-cultural practice dimension of a communicative event).

From a critical constructionist perspective, academic community provides only limited view of sales people as subjects performing their profession in strictly defined organizational settings. Salespeople within this discourse are constructed as rational, cognitive and masculine role characters (Hirschmann 1993), comprising of bundles of personality traits and behaviours. Through the metaphoric use of language - examples, descriptions, categorizations, rhetorical and fact-constructing tehncniques (see Fairclough 1995: 113; Potter 1996: 177; Moisander 2001: 150) - organization and managers are constructed as superior categories over sales people, and sales people are diminished as replaceable parts or resources of the organization. Furthermore, theoretical models of sales performance can be argued to detach sales people from their social and cultural context, and omit the existence of customers as equal subjects participating in the commercial scene (see e.g. Hirschmann 1993; Firat & Venkatesh 1995).

Alternatively, direct selling community's handbooks and writings provide a radically different view of selling as accompanied by social movement and an alternative lifestyle. Sales take place in the private sphere in people's homes and social networks and sales people are stereotypically feminine characters with strong emotional and social bonds to their customers and peers. Boundaries between social and business relationships become blurred, and the question of business ethics becomes a question on ethics in wider social settings. This view is in sharp contrast with the academic stereotypes of sales people, and brings into light important muted perspectives like gender and emotions as key dimensions of ethical and professional selling in social settings (Oksanen-Ylikoski 2006).

As another example, the intertextual nature of the media community gives room to diversity, confrontations and conflicts between competing representations of different communities like academics and practitioners. Media texts mix academic and practitioner images of sales people into adventures of e.g. dabblers, businesswomen, revivalists and conmen. These varying images carry along several cultural assumptions on selling, and broaden the way in which sales people are typically constructed in academic text books, survey reports or practitioners' handbooks (Oksanen-Ylikoski 2006).

As diverse communities are all taken into account, key organizing principles, which frame varying stories of selling and sales people seem to be *ethics* and *professionalism.* Moreover, each community either takes stand or is silent on emotional and gendered aspects of professional and ethical selling and the sales profession. In other words, varying constructs of gender and emotions seem to be the building blocks of ethics and professionalism in the sales context. As such, representation of emotions and gender operate as keys for transforming the socially created frames into other creations – thus providing alternative ways to define and interpret our conceptions of ethical and professional commerce (Oksanen-Ylikoski 2006).

A critical, feminist perspective on selling highlights the political aspects and power embedded in the epistemological and ideological choices of knowledge producing communities. For example, while academic texts alone do not make gendered nature of selling functions and sales people roles visible, practitioners' texts bring forth and underline cultural stereotypes on ethics as a feminine, and professional as a masculine character. Or another example, in practitioners' texts the term selling may typically be replaced by the terms helping and recommending (Oksanen-Ylikoski 2006), thus exposing both ideological and cultural concern on the appropriateness of selling in social settings. Through reproducing or muting this kind of assumptions, dominant discursive practices have direct implications on the future values and beliefs related to commercial actions in the society as a whole.

All in all, a constructionist, gender sensitive view on conflicting discourses of selling exposes the contextualized and dynamic character of *ethical* and *unethical*, *professional* and *non-professional* commerce. Different communities provide diverse conditions under which commerce and social settings may be adjusted with each other – or alternatively, comprehensively exclude each other. Furthermore, different ontological, epistemological and methodological engagements lead to the creation of varied representations and explanations of the phenomena of interest, selling and sales people in this particular case.

Much of the constructionist critique towards the functionalist view relates to the underlying commitment of the academic community to naïve empiricism, too strong commitment to the models and methods of the natural scientists as a basis for social analysis, and an ideological bias in favour of a managerial view of organization: Meanings which managers attribute to organization are given undue prominence and orientations of other actors – such as sales people or customers – are ignored. As a consequence, the role of power as an organizational or social variable is ignored (see e.g. Burrell & Morgan 1979; 218-220; Firat & Venkatesh 1995; Alvesson & Willmptt 1996: 95; Hirschmann 2003). In order to avoid these flaws or to become aware of alternative choices, other knowledge producing communities and alternative research methods are needed to challenge the ways in which sales people are constructed either as mere performers of organizational functions or as moral, emotional and gendered subjects embedded in multiple communities and social settings.

To summarize, global competition along with technological advances accelerates changes in business world, and eventually requires researchers to re-evaluate their underlying assumptions and theoretical frameworks in their intellectual attempts to create new knowledge. As a consequence, traditional functionalist models of selling may be irrelevant or inadequate in explaining and creating knowledge of novel commercial phenomena in wider social settings. Although the established functionalist view still dominates concurrent sales research, the emergence of opposing and competing voices can also be discerned. While these opposing views have not yet challenged the prevalent ways to conduct academic sales research, they could work as impetus to consider alternative epistemologies and methodologies to complement our understanding of professional and ethical selling and sales people.

Entrepreneurs as collective actors

Researchers in entrepreneurship have recently begun to recognise that ideology, or the political basis of ideas, meta-theory and other "taken for granted" assumptions have an influence on knowledge construction (Pittaway 2005). Entrepreneurship is clearly very diverse, but it has been argued that it still is dominated by the "great man" school (Spear 2006) and by functionalist paradigm (Grant & Perren 2002; Pittaway 2005). Ogbor (2000: 629) suggests that "the concept of entrepreneurship seems to be discriminatory, gender-biased, ethnocentrically determined and ideologically controlled".

However, not all scholars on entrepreneurship discuss solely in terms of "heroic individual", often male, [Spear 2006; Ogbor 2000, 629: "the male (white) as the first among equals"] or in terms of a rational actor who always seeks for his or her own interests and profit (Lounsbury 1998; Pittaway 2005), often referred as Homo Economicus. It has been proposed that entrepreneurial and SME studies could gain significantly if the meta-theoretical base of study is broadened (Grant & Perren 2002; Pittaway 2005). Therefore this section argues for alternative perspectives both for the individualistic axiom and for the rationalist axiom in entrepreneurship studies, and studies among SMEs in general. Marketing researchers seem to apply the same taken for granted perspectives as entrepreneurship scholars especially when studying micro- and small-sized firms.

Collective perspective into entrepreneurship

The concept of collective entrepreneurship redirects attention from heroic conceptions of entrepreneurs and highlights the importance of theorizing about the wider social and cultural forces that both shape opportunity structures as well as the social interactions that enable opportunities to be seized (Lounsbury 1998). Entrepreneurs could be seen as social constructors who use their agency to arrange a larger collective effort together with other individuals (Johannisson 1998; ref. Branstad 2008). However, in the literature of entrepreneurial networks (see a review e.g. Äyväri 2006: 51−61) the understanding of networks strongly refers to egocentric networks, thus emphasizing the individual and his or her own interests in the venturing process.

The studies on collective or distributed entrepreneurship show how external groups or organizations play key roles in establishing and developing a firm (Spear 2006; Branstad 2008). Circles of entrepreneurial activity have been identified: the central roles are played by the entrepreneurs within the organisation, but a wider group of external stakeholders (including customers, business incubators, public sector) are sometimes quite closely and essentially involved (ibid). These circles of activities reach further than the personal networks of a focal heroic entrepreneur, hence enabling the use of larger social capital. Applying the collective perspective into entrepreneurship and in SME studies might be useful in examining the understudied social processes in venturing and more general studies of institutional change and industry emergence (Lounsbury 1998; Branstad 2008).

Strong reciprocity perspective

“Nobody believes that Homo Economics exists, if he existed he would be a hedonistic sociopath”, is an often heard argument when researchers discuss the premises of a traditional economic theory. And yet, the rationalist axiom is the one we seem to be relating to when studying markets or the activities and competences of the actors in the market place. An alternative perspective relates to an understanding of an economic actor as Homo reciprocans (Bowles & Gintis 2002; Gintis 2000, 2006). According to Bowles and Gintis (2002):

> "Homo reciprocans comes to new social situations with a propensity to cooperate and share, responds to cooperative behaviour by maintaining or increasing his level of cooperation, and responds to selfish, free-riding behaviour on the part of others by retaliating against the offenders, even at a cost to himself, and even when he could not reasonably expect future personal gains from such retaliation."

Homo reciprocans is thus ready to give up his or her immediate interests in order to punish those counterparts who only take their own interests into consideration. The altruism described in strong reciprocity is not the conditional sort, but rather highly contingent on the proper behaviour of the recipient (Gintis 2006).

In a recent study on craft entrepreneurs' networking abilities the ability to take partner's interests into consideration (in addition to one's own needs) was identified as a fundamental ability in maintaining network relationships and nets (Äyväri 2006: 269). In the future studies it would be fruitful to change the perspective, to take this kind of a finding as a taken for granted starting point − to change the assumption of a rationalist individualist actor into a more culturally and socially embedded approach.

What if, in the next study on SME networking, we follow the assumption of collective or distributed entrepreneurship and conceptualise all the actors as Homo reciprocans? What if, in the next study on networking in social and health care sector, we focus on the issues in the social margins, take the standpoints forgotten so far?

Employees as epistemic subjects and informants of market intelligence

There is consensus in the marketing literature that market knowledge – the firm's knowledge about its customers and competitors - is a fundamental resource for successful business practice (Day 1994a; Kohli & Jaworski 1990; Narver & Slater 1990). In line with the marketing concept, the particular importance of the firm's knowledge about the customers in achieving a market orientation has been highlighted (Jaworski & Kohli 1993; Shapiro 1988). Interestingly, there also seems to be consensus that the best – and the only - way to learn about customers is to rely on customers themselves. Accordingly, firms invest considerable sums of money to market research in order to be able to hear the customer's *own* voice.

Here, however, we wish to problematize and critically examine the privileged epistemic status of customers as the main source of market intelligence by turning our attention to the employees that *encounter* the customers of a firm at a regular basis and who are hence situated in the borderline between firms and markets. As widely recognized by service scholars (Zeithaml et. al. 2006) and marketing scholars (Day 1994b; Penaloza & Gilly 1999), vast amount of relevant market-knowledge is displayed and mutually produced during the customer encounter. The direct contact with customers enables the employees to learn a lot about customers' behaviors, values, practices and sources of satisfaction and dissatisfaction. The customer encounter, hence, can be treated as a fruitful episode for understanding marketplace behaviour and employees as subjects who through their constant encounters come to acquire particular knowledge about the everyday realities of marketplace behavior.

The direct contact with customers can, obviously, take place through a range of channels, and each of the channels conditions the encounter and the attendant knowledge production in particular ways. The face-to-face contacts are often treated as the richest form of human interaction and they do offer a fruitful point for acquiring both explicit and tacit knowledge about customers (cf. Nonaka 1994). Think of, for instance, the amount of information a guide acquires about his or her customers during a multi day river rafting trip when the guide literally lives and experiences the product with his or her customers (Arnould & Price 1993). The voice-to-voice contacts, in turn, do not offer similar interactive richness, but in line with the advent of call center services, they do provide valuable customer information. A call center employee is likely to be very well informed of the complaint behaviour of the firm's customers, for instance. The proliferation of digital communication technologies has also increased the firm's possibility to be in contact with customers and to gain knowledge about them. The various online environments where customers meet and discuss the products and services offers a valuable source for the company – and for the employee following and taking part to them (Kozinets 1999).

Moreover, as Luca and Atuahene-Gima (2007) point out, in elaborating the notion of market orientation it is important to recognize the distinctions among different market knowledge characteristics. They suggest breath, depth, tacitness and specificity of knowledge as key characteristics. Let us elaborate the potentiality of the customer encounter to provide different sorts of knowledge. The customer encounter does not necessarily offer the best way to acquire *broad* understanding of customers (e.g. to help to identify potential customers), but it does offer a way to acquire *deep* customer knowledge, that is, to offer a sophisticated understanding of customers acknowledging also the complexity involved in customer behaviour (ibid. 98). In the treatment of Luca and Atuahene-Gima (2007), market knowledge *tacitness* refers to the non-explicit form of knowledge (cf. Nonaka 1994). It is reasonable to suggest that through the face-to-face interactions the employees come to acquire a rich body of tacit knowledge regarding their customers. As the tacit market knowledge is highly embedded in the firm's social system, if it is properly utilized, it is difficult for competitors to imitate. Market knowledge *specificity*, in turn, refers to context specific knowledge that can be related to a specific customer segment or to a specific local area for instance. The customer encounter may offer a fruitful way to acquire this sort of knowledge. For instance, a waiter in a tourist region comes to learn the particularities of its customers through the repeated contacts s/he has with customers. The contextual customer knowledge typically develops during a long-term relationship with specific contexts.

The frontline employees - from sales representatives to safari guides – can hence be understood as key epistemic subjects and key agents in the pursuit of developing a market-oriented firm. Several firms have obviously understood the critical value of these employees, but in the mainstream marketing thought and practice, however, the valuable body of customer knowledge residing in the employees – knowingly or unknowingly - has not been fully taken account. One reason for this neglect may lie in the low status generally accorded to the frontline employees. In particular, their capacity to "know" about the customers and markets becomes questioned in the prevailing discourse of the knowledge society that accords the epistemic agency to "professionals", not to "workers" (Haanpää et al. 2007; Thompson *et al.* 2001). In this line of thinking, low status workers who are in direct contacts with customers do not "know" customers, but it is marketing managers and other marketing professionals who are supposed to "know the customers" through the market research techniques developed during the long history of marketing and consumer research (Cochoy 1998).

Moreover, the concept of marketing that privileges the customer over employee hinders to consider "other" market actors than customers. It also offers a mode of thought that separates the customer and the employee. Accordingly, as reflected in the concept of market orientation, the market-knowledge generation is seen as an outside process – as if market knowledge automatically resides outside the firm – and then the firm develops and uses internal processes to integrate the acquired knowledge and fed it into the business development processes. The idea that much relevant customer knowledge may already reside inside the firm becomes easily obscured (see however Kotro 2005; the use of hobbyist knowledge of designers in product development process).

Finally, much of the existing market orientation and market intelligence literature is developed and applied in the context of large companies. In them, a wide set of collaborative and mediating practices and functions are needed to ensure an effective transferring and refinement of knowledge. In the case of a small or medium sized company, however, the context is different. In particular, if the entrepreneur him or herself is in direct contact with customers, his or her knowledge about the customers is likely to be rich and sound. Yet, he or she does not necessarily count this as “knowledge”, but keeps on complaining about the scarce resources that do not allow conducting “proper” market research.

Conclusion

It has been our purpose to provoke discussion and raise some critical questions concerning the role of marketing scholars as political and moral agents in society. Scholarly work carries moral authority and inevitably involves participation in relations of power whether or not the ‘scholars’ themselves are aware of it. As Franck Cochoy (1998) reminds us, marketing specialists have occupied a central position in the history of modern capitalism. Through a dialogical process of business practice and academic education, marketing experts have gradually created particular conceptualizations of the fundamental market actors and processes. It is a good disciplinary practice — and a sign of a mature scientific community (Longino 1990, 2002) — to critically reflect on the relevance of the core disciplinary assumptions and their socio-political consequences. The need for a more critical reflection of marketing’s disciplinary understandings is even more pressing in the contemporary society that witnesses an ever-growing presence of marketing practices and vocabulary in a countless everyday contexts, from health care to primary schooling systems.

Here, we have taken up four critical themes. We have discussed the need to acknowledge consumers as active producers; to understand sales people as multifaceted social subjects; to analyze entrepreneurs as collective actors; as well as to re-consider the epistemic agency of marketplace actors by problematizing the prevailing customer-centric way of thinking.

To close, we wish to discuss the pivotal role of the business academy in disseminating, sustaining and challenging prevailing marketing research agenda and underlying understanding of the markets and marketplace behavior. We advocate a more critical and reflexive stance to be taken at the early stage of business education, not only at the stage of doctorate studies. Future marketers need to be equipped with cognitive skills and capabilities that are needed for problematizing the taken-for-granted and for creatively "reading" the ever-changing complexities of the market environment in intelligent and innovative ways. This sort of change in the educational system would be able to renew the professional identity of marketers from pure business people to cultural, moral and political actors. It would, briefly put, better inform marketing managers of what it is they are doing in the society.

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Aino Halinen and Leena Aarikka-Stenroos

THIRD ACTORS AS PROMOTERS OF BUSINESS AND PROFESSIONAL DEVELOPMENT

Abstract

Third actors have a decisive role in the initiation of business relationships in various industries. This is common knowledge among business marketing researchers, but surprisingly, the promoting role of third actors is only briefly mentioned in the literature. In this paper we analyse the role of thirds in initiation based on an abductive case study from the professional service context. We integrate ideas from the literature on services marketing and industrial networks in order to generate new insights into the research on relationship development. Third actors are found to perform twelve different roles and to contribute significantly to the key initiation processes of awareness, access, matching, and deal specification. In the prologue and epilogue these findings are applied to the "industry of science", i.e. to the scientific society and the interests of its members. The aim is to pinpoint the crucial role of individual professors such as Kristian Möller as promoters of professional development.

Keywords: Initiation of business relations, third actor, professional development, professional services, triad

Aino Halinen, Turku School of Economics, Department of Marketing, Rehtorinpellonkatu 3, 20500 Turku, Finland.

Leena Aarikka-Stenroos, Turku School of Economics, Department of Marketing, Rehtorinpellonkatu 3, 20500 Turku, Finland.

Prologue

Social networks have a critical role in the development of science and its professionals. People one knows, and reads and writes with have a tremendous impact on one's scientific thinking and academic career. Credibility acquired in the scientific society helps researchers to get promoted and to get their work published. Often this credibility is created by third actors, senior professionals or peers, who may have recommended you, built up contacts with important others, or simply co-authored an article with you.

Kristian Möller has been an influential person in my (Aino's) career. Over the years he has challenged my intellect and guided me in the world of learning in various ways. I am truly grateful to him. The focus of this article is on the role of third actors in the initiation of business relationships. In a moment of inspiration it became clear to me that the role descriptions derived from professional services could quite easily be used analogically to illustrate Kristian's influence on my professional development. The reader will make his or her own judgement on the justification of the analogy as he or she reads through the article and the epilogue.

The article is a work-in-progress paper based on the doctoral research project of Leena Aarikka-Stenroos, who I have supervised and with whom I share a common interest in professional services marketing and networks. We have written this article in honour of Kristian Möller's 60th birthday, and in celebration of the eight successful years of ValueNet cooperation he has forged with great talent and vision. Leena Aarikka-Stenroos is a researcher in the ValueNet research programme, and thus the article also exemplifies its results.

Introduction

Business relationships seldom begin through direct contacts or by cold calling. In the industrial network view relationships do not exist in isolation but potentially affect each other. This has been called the indirect or network function of a relationship (Håkansson & Snehota 1995). Also Gulati (1995) suggests that once network relations are established, this stimulates further networking relations, and possessing business and social relations with certain types of actors has an effect on new relationships in the future. Indirect relationships created through network connectedness may turn into direct ones when third parties connect actors not yet directly connected (Ritter 2000; Smith & Laage-Hellmann 1992).

In the initiation, the seller and buyer parties may lack access to each other, which they then seek through networks and existing relationships. Besides access, potential parties look for experiential knowledge about the opposite party which they potentially gain through connected third actors. Buyers especially require references (Salminen & Möller 2006) and track-records (Ewing et al. 1999) that provide evidence of the supplier's performance and capabilities. There is also abundant evidence of the importance of referrals (Wheiler 1987), word-of-mouth (Money 2000), reputation (Nunlee 2005; Larson 1992; Yoon et al. 1993) and communication networks (Johnston and Lewin, 1996) in starting business relationships. Surprisingly, third parties who act "behind these concepts" promoting the formation of business relationships have rarely been the focus of study.

Overall, relationship initiation is a neglected research area. Various stage-models of relationship development exist (e.g. Ford 1980; Dwyer et al. 1987), but they pay no attention to third actors as promoters of business. Only a couple of studies have focused on third-party involvement in initation (see Ellis 2000; Wong & Ellis 2002).

The purpose of this paper is to analyze the role of third actors in the initiation of business relationships. The study aims to enrich conceptual descriptions related to the function and role of third actors in the initiation. Relationship initiation is studied through three key actors: the seller and the buyer between whom a business relationship is emerging and the third actor who promotes the initiation. It is seen as a process that leads to the first deal between the parties. Only positive influence of thirds is examined.

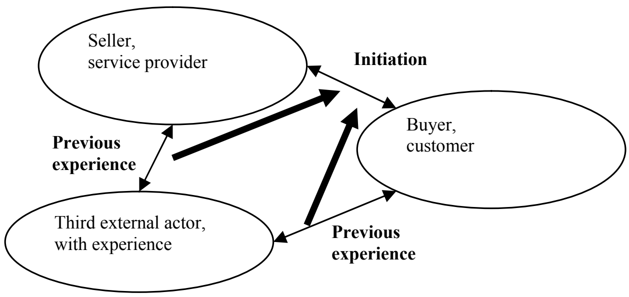
The study follows the logic of abductive reasoning combining systematically ideas arising from empirical data to ideas from theoretical literature (see Dubois & Gadde 2002). Literature from two major research domains, service marketing (especially professional business services) and industrial relationships and networks are used and combined with literature related to references, referrals, recommendations, word-of-mouth, and reputation as channels of business information. Yet, empirical data has the leading role in the search for new descriptions and conceptual categorizations. To gather the data, an explorative case study of relationship initiations was conducted in a number of professional services industries.

Professional business services were chosen as a research context because in this business third actors presumably have an important role as relationship promoters. The special features of professional services such as information symmetry, intangibility, customized problem solving, and knowledge intensity (Silvestro et al. 1992; Edvardsson 1989; Thakor & Kumar 2000; Lapierre 1997) make their evaluation and presentation difficult and emphasize the role of third actors as providers of access and sources of experiential knowledge.

The Function of Thirds in the Initiation

To study third actor involvement in relationship initiation, a triadic view is needed. At least three actors and their relationships deserve attention: the seller, the buyer and the third, external actor. The power of thirds in the initiation process is based on the experience and relations they possess (see Figure 1). The third actor has experience of one or both parties of the emerging dyadic relationship and it participates in the initiation by sharing this experience and even relations with the other party.

FIGURE 1. The key actors in the initiation of a business relationship.



The existence and attainment of previous experiences is often crucial in creating new relationships. There are two ways to attain experience; direct experience is achieved by trying oneself, but this is often costly and risky, and indirect experience is achieved by listening to and comparing others' experiences (Silverman 1997). The third actor extends an influence on relationship initiation by sharing experiential information about business actors and by mediating contacts with others. Main channels to achieve others' experiences are references, referrals, recommendations, word-of-mouth, reputation, and testimonials (see Salminen & Möller 2006; Boles et al. 1997; Herriott 1992; Wheiler 1987; Johnson et al. 1998; Waller et al. 2001; Yoon et al. 1993; Gotsi & Wilson 2001; File et al. 1992). The third may also introduce potential parties to each other which eventually leads to creation of a new relationship (Feldman Barr & McNeilly 2003; Moncrief & Marshall 2005). The third may promote relationship initiation either actively or passively (Helfert & Vith 1999).

The status of the external third is based on its ability to offer an objective view about the potential business partner, at least more objective that the buyer or seller itself could provide. For example, referrals and reputation are spread through independent organizations, and are thereby considered more trustworthy than firm-based promotional efforts (Herriot 1992; Wheiler 1987; Yoon et al. 1993; Salminen 1997).

The third actor can be a person or an organization (Ellis 2000) and the relationship to it can be based on economic or non-economic exchange (Easton & Araujo 1992). Most often the examined promoting third parties are satisfied existing customers, but many other actors, like former customers, colleagues, employees, other related firms, competitors, and non-profit agencies may also act in this role (Feldmann Barr & McNeilly 2003; Peck et al. 1999). Business relationships are socially embedded (Granovetter 1985; Uzzi 1997; Gulati 1995), which explains the important role of people as thirds.

The experience the third mediates is based on the past but has relevance for the future. In the initiation, the dyadic parties do not yet have a common past, and therefore the “pasts” of others and surrogate indicators such as references and company reputation are used to “predict” future performance (Day et al. 1994; Yavas et al. 2004, Salminen & Möller 2006).

Methodology

A multiple case strategy was used to study relationship initiations in several professional service industries and in connection with several types of thirds. In this study the case refers to relationship initiation that involves three actors: the professional service provider, the new client and the third party. The cases as well as informants were chosen according to theoretical sampling, i.e. on the basis of the expected level of new insights they could bring to the developing theory (Flick 2002, 64). In some cases, only one actor’s view of the initiation was obtained while in some other cases even four actors were interviewed.

Empirical data consists of personal interviews and written material of case organizations. Twenty interviews were conducted during summer 2005─winter 2006. The studied companies range from micro-sized entrepreneurial companies to large international firms. The first contact was usually made with the seller and after that the buyers or referees mentioned by the seller were contacted. Informants at the buyer's side were mostly entrepreneurs or from top management. Informants at the sellers represented the following professional service industries: designing, industrial designing, advertising, interpreting and localization, engineering consulting, landscape consulting, software engineering and consulting, accounting and corporate banking.

Interviews were focused episodic interviews without a strict structure. In episodic interviews (Flick 2002), the questions in the usual sense of the word are not asked, but instead the interviewer periodically invites the informant to present narratives or chains of situations. The triad-picture was used as a stimulator (Figure 1) and informants spontaneously made their own triadic drawings during the interviews. Each interview lasted about one and a half hours. Interviews were tape-recorded and transcribed.

Because of the strong empirical foundation and large amount of data, computer-aided analysis with QSR N'Vivo was utilized. The analysis begun with open coding but turned into selective coding after further reading. As Dubois and Gadde (2002, 554) describes it, the analysis was "about going back and forth between framework, data sources, and analysis" in order to find a match between theory and empirical reality.

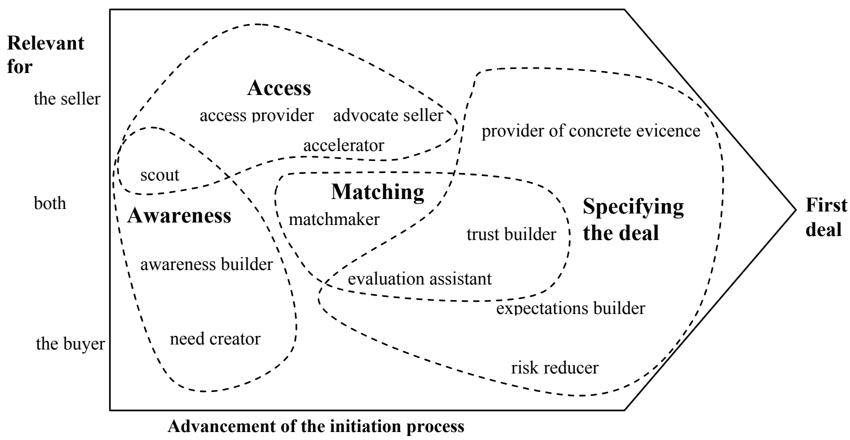
The Promoting Role of Third Actors

Data indicated that the third could be a person on the basis of social embeddedness or an organization on the basis of economic exchange, but also a person on behalf of an organization or a person as a representative of a certain industry or profession. Even a work as an artifact could be considered as a third. According to Payne et al. (2005) "referral markets" consists of customer and non-customer referral sources, and findings provided evidence that in addition to customer promoters the providers of complementaries and even competitors shared information and mediated contacts.

On the basis of the data, twelve roles of thirds were identified in the initiation: scout, awareness builder, need creator, access provider, accelerator, advocate seller, match maker, trust builder, evaluation assistant, expectations builder, risk reducer and provider of concrete evidence. These roles are not clear-cut, separate activities, but function often together supporting the initiation through four key processes: awareness building, access, partner matching and specifying the deal (see Figure 2).

Some of the third actor roles are more relevant to either the buyer or the seller (see the vertical axis in figure 2). The roles are shortly described next.

FIGURE 2. The various roles of third actors in relationship initiation.



- **Scout**

The scout role of thirds suggests that thirds can look for potential customers for sellers as proposed in selling literature. The scout function in customer relationships means that suppliers obtain meaningful information from outside of the organization (Walter et al. 2001). The idea can be extended to other types of relationships as well. Received information can be used for instance in prospecting (Jaramillo & Marshall 2004; Moncrief & Marshall 2005).

- **Awareness builder**

Thirds can build awareness between potential buyers and sellers, which is necessary to start a relationship. In the relationship development model of Dwyer et al. (1987) during the awareness phase "party A recognizes that party B is a feasible exchange partner." The data suggests that awareness is built by means of reputation, reference works and referrals with the support of third actors.

- **Need creator**

Relationship-stage-models (Ford 1980; Dwyer et al. 1987) take the existence of the buyer's need as given, but in professional services, the buyer does not necessarily recognize its need (cf. Edvardsson 1989; Day & Barksdale 1994). Our findings suggest that the third party can have a role of a need creator. For example, in industrial designing reference descriptions illustrate to less-experienced small enterprises how they may benefit from designing, and for more experienced customers how design can be integrated in their business even more effectively.

- **Access provider**

In an access provider's role, the third can either actively (by offering referrals or arranging introductions) or passively (by offering one's name to be used in marketing) aid the seller to approach the customer. Customers as access providers are mentioned by Helfert and Vith (1999) and Walter et al. (2001), but the findings of this study suggest, that besides customers also providers of complementaries can offer access. Access is built on *social relations* of well-known actors or their *previous experiences.* Reference works and names of customers themselves may offer access to new customers.

- **Accelerator**

The initiation may take some time; months and years may elapse after promising first contacts (Holmlund & Törnroos 1997; Halinen 1997). Therefore, a third actor can accelerate the initiation. For example, referrals can make the start faster like a CEO of an advertising agency states: *There are certain communities and events et cetera, where marketing managers and product group managers meet. If you have a couple of good referees there, this word-of-mouth can provide a good contact that is equivalent to several months of selling.*

- **Advocate seller**

The third actor can act as an advocate seller and deliver marketing messages about the work, process and relations of a professional. The credibility of outside independent experts who attest to the quality of the purchase is higher than those individuals formally representing the organisation, and consequently these outsiders become "an auxiliary sales force" for the seller (Henthorne et al. 1993). A CEO from software consulting puts it: *Reference visits are often crucial, because it convinces the customer that our software is in heavy use somewhere. In that situation, our customer acts as a seller and we try to stay quiet, and let the existing customer talk to the potential client.*

- **Match maker**

When third actors act as matchmakers, they evaluate the fit between potential parties or aid the parties themselves to evaluate the fit. Matchmaker might identify the most suitable party, build awareness and also bring the parties together, which means that the matchmaker's role is linked to those of awareness and access builder. Business is about "knowing the people" and "knowing their capabilities" (Larson 1992); a matchmaker has this information and utilizes it. Referral actions or introductions are matchmaker's activities to connect compatible parties.

- **Trust builder**

Trust is crucial in relationship development, and implicit reference to trust is also related to expert and referent power and reliability of threats and promises (Dwyer et al. 1987). The third actor transfers trust by offering an external "statement" about trustworthiness: *If someone – who you know and trust – gives a recommendation, that recommendation counts more than anything. There is no other way to present your superiority than through the previous client's statement.* (CEO in project consulting)

Our findings indicate that if there is no personal trust, capability related trustworthiness of the service provider has to be proved for instance through references.

- **Evaluation assistant**

The third actor may assist the new customer in pre-purchase evaluation. Previous experience of the third actor can be considered as a comparison level because e.g. references can assist in evaluating certain quality-price relationships (Salminen 1997). Through referrals, word-of-mouth and reputation that spread through personal contacts and face-to-face interaction people get informal and confidential information (cf. Halinen & Salmi 2001; Uzzi & Dunlap 2005). Data indicates that word-of-mouth is appreciated over references in evaluation, even if both are used, since word-of-mouth offers also sensitive information. The existence of known, large and appreciated reference customers may also support the evaluation, since they are expected to apply stringent criteria in selecting suppliers and to use considerable resources for competitive bidding.

- **Expectations builder**

The third actor may help the new customer to build expectations. In professional service industries, it is difficult for the customer to figure out the outcome of a service or the service process in advance, and equally, it is challenging for the service provider to represent the outcome and process to the customer beforehand. Client expectations may sometimes be fuzzy and unrealistic (Ojasalo 2001) and the third may have a role in clarifying them.

- **Risk reducer**

This role implies that thirds may decrease the risk perceived by the buyer by offering either actively or passively risk-reducing information. The study indicates that especially similar previous works are important risk reducers; in engineering, reference factories in full operation provide necessary proofs of the operative and economic performance of a planned factory.

- **Provider of concrete evidence**

The provider of concrete evidence implies that a third actor may tangibly the intangible service by giving "examples" of realized services. Data indicated, that both the outcome-related technical "what"-dimension and the process-related functional "how"-dimension (cf. Grönroos 2000) have to be clarified to less-experienced customers. Even if customers are experienced, the potential solution needs to be presented, and during selling, the supplier must demonstrate an ability to resolve the customer's problem. The value-creation process of a professional service is difficult to demonstrate, because numerous benefits and costs can only be examined after the transaction (Lapierre 1997). Through tangible cues, like previous cases, the service provider can illustrate how the service benefits the customer.

Discussion

In this paper, we have provided an analytical description of the function and role of third actors in relationship initiation maintaining that third actors share experiential knowledge about past transactions and relationships and mediate contacts between business actors.

This experience is valuable for potential buyers and sellers since it is mediated by an external and, therefore, credible party and, although based on past transactions, it has relevance for the actors' future business.

From the data, twelve roles emerge as significant for thirds in the initiation. Some of the roles relate directly to the key processes of initiation described in the literature on buyer-seller relationship development: the awareness builder (cf. Dwyer et al. 1987), match maker (cf. Wilkinson et al. 2005), evaluation assistant (cf. Ford 1980), trust builder (cf. Halinen 1997) and even the risk reducer, as it is very close to the reducing of uncertainty between potential business parties (cf. Ford 1980). The other roles found in the data-driven analysis also get support from earlier literature. It seems evident that some of the roles get pronounced because of the special features of professional services: the need creator (cf. Edvardsson 1989), expectations builder (cf. Ojasalo 2001), provider of concrete evidence (cf. Edvardsson 1989) and risk reducer (cf. Mitchell 1998). Overall, the role of third parties was found significant: they build necessary awareness, provide access to new parties, assist in evaluating and finding compatible business parties (matching), and support in specifying deals.

A theoretical but empirically grounded description of third actor roles provides a fertile basis for managerial implications about how buyers and sellers can take advantage of thirds in their business. As it is difficult for the client to evaluate the trustworthiness of professional service provider, they should actively present their capabilities and existing relationships through third parties. For example, reference cases illustrate the outcome, process and the potential value of the outcome to the potential client. References, testimonials and word-of-mouth can be utilized in giving evidence of both economic and other advantages of a professional service. Asking an existing client to refer the professional firm to a potential client may be considered too intimidating. However if the third is convinced that information sharing and networking also advances the development of existing relationships and valuable industry- or market-specific information is offered as a trade, the third actor may be encouraged to act on its own initiative. In long run third party activities may help all participating companies to take advantage of new business opportunities.

Our findings have value for professional service research in particular, but raises questions related to relationship initiation research also more generally. The received view of initiation is far too simplified. It ignores all communication and contacting between third actors and potential seller- and buyer-parties during the first phases of relationship evolution. The study suggests that initiation – such as the ending of relationships – is a multi-stage process of its own. The process is potentially ambiguous and time-consuming and involves several third actors as mediators of contacts and sources of experiential information. Further research is needed to study the process of initiation and the effect of indirectly connected actors on it.

Epilogue

The roles of third actors in initiating business relationships and in advancing professional development have many commonalities. Science and professional business services are both profession-based activities in which individuals with their knowledge and capabilities play a crucial part. Both the function, i.e. the sharing of experiential knowledge and contacts, and the roles they potentially play are transferable from the business context to professional development. The focus in business is on the promotion of an emerging business relationship, while in science it is more on the opportunities for personal development that the third actor provides. The clear roles of buyer and seller rarely exist in the scientific society, which obviously limits the possibilities for analogy. Nevertheless, researchers have a strong need to seek contact and cooperation with each other, and outsider views are often necessary in the process of selling oneself or one's work in the scientific markets, whether the buyer is a publisher, a journal editor, or a university or scientific association.

Looking back on how Kristian has affected my professional development, I can readily recall three key events. He was *the preliminary examiner* of my doctoral thesis and thereby an important person in setting the scientific standards for my research, thus playing the role of evaluation assistant. He also *introduced me to the international IMP research society* at my first international conference in Pennsylvania in 1989. Ever since, he has been an important awareness builder and access provider for me: we have co-authored conference papers and journal articles, we co-edited an IMM special issue, and we co-organised with a number of other people the 1998 IMP conference in Turku. The third event was *the publishing of my thesis work by Routledge*. Without Kristian's initiative and activity as a scout, advocate seller and accelerator this would never have happened. As these examples show, sometimes Kristian promoted my endeavours actively, and sometimes he did so passively, which also reflects our findings from business. Occasionally his influence may even have been negative, but that is something I would not know.

We have known each other for over 20 years and from our very first meeting – a doctoral tutorial in Tampere in 1987 – to the latest at the 2008 ValueNet Workshop in Helsinki, academic research and development in Finnish marketing science has been on the agenda. Kristian, I would like to thank you for your friendship and for your guidance in the world of learning. It has been great fun both intellectually and socially to work with you. I warmly congratulate you on your 60th birthday, and look forward to many more years of cooperation.

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Timo Järvensivu and Katri Nykänen

IDENTIFYING BASIC ELEMENTS OF NETWORK MANAGEMENT: COMPARISON BETWEEN MANAGING NETWORKS, MARKETS, AND HIERARCHIES

Abstract

This paper looks at interorganizational network management. First, differences and similarities between managing networks, hierarchies, and markets are considered. Based on this foundation, we identify, define, and discuss the required elements of network management. Finally, we conclude with a brief discussion on limitations and future research needs.

Keywords: Interorganizational networks, network management

Timo Järvensivu, KTT, researcher, Helsinki School of Economics, PL 1210, 00101 Helsinki, Finland.

Katri Nykänen, KTM, researcher, Helsinki School of Economics, PL 1210, 00101 Helsinki, Finland.

Introduction

Management is an increasingly topical issue in network research. Network management has been studied in several fields, including industrial and business networks (Ford et al. 2003; Ford & Håkansson 2006; Möller & Halinen 1999), strategic networks (Jarillo 1988; Möller et al. 2005; Möller & Rajala 2007; Gulati et al. 2000), innovation and development networks (Dhanaraj & Parkhe 2006; Heikkinen et al. 2007), health care networks (Provan & Milward 1995; Provan et al. 2004), and public policy networks (Kenis & Provan 2006; Klijn et al. 1995; Kickert & Koppenjan 1997; Agranoff & McGuire 2003; McGuire 2006). Researchers have looked at networks and their management from several different perspectives, for instance, from individual relationships to relationship portfolios and from strategic nets to macro-level networks (Möller & Halinen 1999). Different types of networks, such as buyer-supplier (Lambert & Cooper 2000), innovation (Dhanaraj & Parkhe 2006), and emerging networks (Möller et al. 2005; Möller & Svahn 2003), require different mechanisms and capabilities. Firms can also adopt different roles in a network, such as supplier, broker, producer, designer, distributor (Miles & Snow 1986; Snow et al. 1992; Knight & Harland 2005; Heikkinen et al. 2007). Different roles involve different types of management. An individual firm may adopt a certain role depending on its resource base and position in its network of exchange relationship (Johanson & Mattsson 1992).

A continuing debate involves whether networks can be managed. The strategic networks perspective (Jarillo 1988; Möller et al. 2005; Möller & Svahn 2003; Gulati et al. 2000) asserts that hub organizations can take the initiative in managing a network and its development. Others, most notably the IMP group (Industrial Marketing and Purchasing group, see Turnbull et al. 1996; Håkansson & Ford 2002; Ford & Håkansson 2006), argue that no single firm can manage a network and that individual network members can only try to cope within a network. The strategic networks perspective defines networks as intentionally developed, limited groups of firms. We see that intentionality is one of the defining characteristics of network management, so we regard strategic networks as managed networks. The IMP group, on the other hand, studies macro-networks or "networks of networks." In such wide networks, a single firm has limited influence on its surrounding networks.

Following the work of Harland and Knight (2001) and Möller et al. (2005), this paper claims that the manageability of any network—whether we look at management from the viewpoint of a single company or a whole network (Provan et al. 2007)—lies along a continuum of control. Macro-networks may be closer to the no control end of the continuum, whereas strategic networks are closer to the full control end, but neither one is located at the extreme end of the continuum.

Despite extensive research, there remains a lack of understanding of the basic elements of network management. For instance, although we know that there are different analytical levels where we can witness differences in the characteristics of network management, that there are different roles firms can adopt in different networks, and that different types of networks require different managerial mechanisms and capabilities, we have little understanding of what connects these different frameworks of network management together. In other words, we still lack a unifying framework of the basic elements of network management that would be valid in all types of networks at all levels and in all possible roles.

This paper is organized as follows. We first examine the differences and similarities between managing networks, markets, and hierarchies. Based on this foundation, we construct a network management framework that identifies and defines the basic elements of network management and their interdependencies. Finally, we conclude with a brief discussion on the limitations and implications of this framework.

Managing networks, markets, and hierarchies

A network can be defined as a "structure where a number of nodes are related to each other by specific threads" (Håkansson & Ford 2002, 133). This definition remains rather general; all economics and social life can be interpreted through such a conception of networks. Based on this definition, network management includes all economic and social life in its various forms: social and interpersonal networks, transactional and long-term networks, hierarchies and markets, formal and informal business and non-business networks, intra- and inter-organizational networks, inter-group networks, global and macro networks, etc.

We focus on business networks and separate them from business hierarchies and buyer-seller markets. Here, we follow a governance perspective to the coordination of social life (e.g. Thompson et al. 1995), which identifies three distinct modes of governance: markets, hierarchies, and networks. According to this perspective, a network can be defined as an intermediary (or alternative) form of governance apart from pure markets and pure hierarchies, where "two or more firms which, due to the intensity of their interaction, constitute a subset of one (or several) market(s)" (Thorelli 1986, 38; also Jones et al. 1997; Park 1996; Powell 1990; Thompson et al. 1995).

As a mode of governance, a network may be defined as a group of autonomous actors (e.g. hierarchical organizations) that have repeated, enduring relations in order to achieve some stated or un-stated objective(s), while lacking a legitimate authority that arbitrates and resolves disputes that may arise among actors (Podolny & Page 1998). Key qualifiers in the definition are autonomous actors and enduring relations. These set networks apart from hierarchies and markets: hierarchies involve authorial relations between non-autonomous actors (e.g. between superiors and subordinates within a firm), and markets involve non-enduring (i.e. transactional) relations between autonomous actors (e.g. between buyers and sellers in a competitive, price-based context).

Hierarchical management. Watson (2006, 167) defines hierarchical business management as the "overall shaping of relationships, understandings and processes within a work organization to bring about the completion of the tasks undertaken in the organization's name in such a way that the organization continues into the future." Management is thus a function that by definition must be carried out in every organization. Managerial work, on the other hand, is the "activity of bringing about this shaping;" managers are the people who are given the official responsibility for carrying out this work (ibid., 167-168). However, the function of management also can be carried out by people not appointed as managers (ibid., 167-171). For instance, a subordinate in an organization may be empowered to make decisions that in a traditional sense are the responsibility of managers.

Tsoukas (1994, 298) argues that the power of business managers derives ultimately from the socio-economic industrial structure of the business, where the management is "vested with a [specific] set of causal powers." These causal powers include (1) the ability for managers to control an organization through superior-subordinate relationships; (2) the ability for managers to elicit active cooperation from subordinate members of the organization through the provision of rewards; (3) and the managerial drive towards seeking efficiency and effectiveness, i.e. to generate more value from combined resources than they would otherwise produce. These causal powers are related to the fundamental nature of management and can be contradictory.

According to Tsoukas (1994), they give rise to hierarchical business management. Because of these powers, managers are driven to seek efficiency and to elicit cooperation in an organization. Tsoukas summarizes the required functions of management as *planning*, *organizing*, *leading*, and *controlling* (see also Fayol 1949; ref. Tsoukas 1994). In order to operate effectively and efficiently, business organizations must (1) know where to go and how to get there (i.e. planning); (2) build the structures, resources and coordination needed to get where it wants to go (organizing); (3) direct and energize people to carry out needed activities (leading); and (4) ensure that the goals and plans are met (controlling).

Managing buyer-seller markets. In price-based competitive markets, management can be understood as the management of the buying process. Johnston and Lewin (1996) summarize the organizational buying process in terms of eight processes: recognizing needs, determining characteristics of what to purchase, establishing specifications, identifying potential sources, requesting proposals, evaluating proposals, selecting suppliers, and evaluating purchases. In this process, both the buyer and the seller operate as independent hierarchies and are managed internally as such; coordination between them is achieved through the buying process and the resulting purchase contracts. From the viewpoint of internal management, the first three stages involve planning the purchase; the next three are about organizing the purchase; and the final stage is about controlling the purchase. The actual activities that are needed to produce the purchased products or services are the seller’s responsibility. From seller’s viewpoint, planning is achieved by the buyer through the specifications of the purchase. The seller’s responsibility is to plan and organize the internal resources needed to fulfill the purchase contract. The buyer may indirectly influence leading and controlling by stipulating rewards and sanctions for the seller’s specific resources and activities in the purchase contract.

In this way, both the buyer and the seller play a role in managing the value creation that takes place through the competitive market. Since they are both independent organizations, they independently plan, organize, lead, and control. However, their internal value-creating activities and resources are coordinated through the purchase process and the resulting contract. Therefore, in contrast to hierarchies, no organization can fully plan, organize, lead, or control value creation in markets. This is because most of the activities and resources needed by the buyer are under the direct control of the seller.

Summarizing the discussion, hierarchical governance involves authority-based, principal-subordinate relationships; network governance, trust-based relationships among autonomous actors; and market governance, price-based competition and resulting purchase contracts. The three types of governance are based on the same idea of value creation: they can all be defined as a set of actors, resources, and activities that produce value (see Håkansson & Johansson 1992; Håkansson & Snehota 1995). Within this definition, actors are those who perform activities and control resources, and activities refer to the use of resources to change other resources. These resources and activities reside within the organization in hierarchies and within independent buyers and sellers in markets. In networks, resources and activities are mutually managed through an interactive, adaptive negotiation process.

Because hierarchies, networks and markets are all value-creating systems, the basic requirements for managing are the same. Managers are required to:

1. Ensure that actors know what value is to be created and how to create this value.
2. Organize patterns of actors, resources, and activities that are needed to create the value.
3. Ensure that actors are committed to carrying out value-creating activities.
4. Ensure that the value is efficiently created as planned and must carry out corrective measures if needed.

In hierarchical management, these requirements correspond to the management functions of planning, organizing, leading, and controlling. The requirements for network management are fundamentally the same, but network management is still different, because network relationships are based on trust between autonomous units, not on authority or competition (e.g. Håkansson & Ford 2002; Ford & Håkansson 2006). In networks, no organization can fully control or manage its resources in isolation, since many of the resources available to a firm are under the direct control of other actors in the network (ibid.). In the next section, we elaborate on the basic elements on network management.

Basic elements of network management

Broadly conceived, network management can be defined as improving the ability of the network to operate toward accomplishing its varying objectives, or as the means by which network members influence each other and/or the network as a whole in order to improve network cooperation. At one level, network management involves restructuring the existing network; at another level, it involves improving the conditions of cooperation within the existing structure (Kickert & Koppenjan 1997, 46-53; Klijn et al. 1995). The former involves activities such as adding or removing actors, resources, or value activities from the network as well as changing the ways in which the network relates to its environment. The latter aims to facilitate cooperation between network actors in order to accomplish goals.

In networks, the basic management functions can be labeled as *framing, activating*, *mobilizing*, and *synthesizing.* These terms were first used by Agranoff and McGuire (2001) and later elaborated by McGuire (2002, 2006). *Framing* in networks corresponds to planning in hierarchies. This function can be defined as creating an understanding of value and communicating this understanding to actors in the network. This is a mutual endeavor, a process of interaction and negotiation, among the actors. As Axelsson (1992, 2001) highlights, organizational as well as network-wide effectiveness is achieved in networks ultimately by framing the context of cooperation rather than by attempting to design or plan future patterns of activities.

Activating focuses on realizing the patterns of actors, activities, and resources that are needed to create the targeted value. This activity answers the second requirement of managing value-creating systems: organizing. Activating involves interacting and negotiating with the actors that possess the resources and capabilities to perform the activities needed for value creation, with the ultimate goal that the actors will activate themselves as a part of the value-creating network. Building on this, *mobilizing* aims to build commitment among activated actors toward mutual value creation, so that they realize the potential of the activated structural patterns. In order words, activating builds the structure of the network, while mobilizing ensures that actors commit to the processes of utilizing the structure; this corresponds to the requirement of leading in hierarchies. Finally, *synthesizing* facilitates interaction patterns among actors, resources, and activities. The full potential of the network to create value is realized through monitoring success in value creation and taking corrective action accordingly. This corresponds to controlling in hierarchies, relating to the fourth requirement of managing value-creating systems. Whereas hierarchical controlling involves authority, synthesizing involves negotiated processes of monitoring and facilitating cooperation.

The four network management functions can be carried out using a wide range of mechanisms (Figure 1). Grandori and Soda (1995) divide network management mechanisms into ten categories: communication, decision, and negotiation mechanisms; social coordination and control; integration and linking roles and units; common staff; hierarchy and authority relations; planning and control systems; incentive systems; selection systems; information systems; and public support and infrastructure. Interorganizational researchers often include trust and commitment to the list of coordination mechanisms (e.g. Morgan & Hunt 1994), but Grandori and Soda view this as an outcome of coordination and therefore exclude it from the list.

FIGURE 1. Relations between network management functions and mechanisms.

Network management functions

Network management mechanisms/tools	Framing	Activating	Mobilizing	Synthesizing
1. Communication, decision and negotiation mechanisms	X	X		
2. Social coordination and control	X	X	X	
3. Integration and linking roles and units				X
4. Common staff			X	
5. Hierarchy and authority relations		X	X	
6. Planning and control systems		X		X
7. Incentive systems	X		X	X
8. Selection systems	X	X		
9. Information systems	X			X
10. Public support and infrastucture	X			

Note: X's are used here only as examples; in reality each management situation is different with regard to the X's. The purpose of this figure is to show that the management functions can be carried out through one or several several management mechanisms/tools, and that each mechanism/tool can perform one or several functional roles.

The four network management functions contribute to networked value-creation in different ways (see Figure 2). Together, they comprise the required components of network management; removal of any of the functions will impede the successfulness of network cooperation.

FIGURE 2. Network management elements and their effect on cooperation.

Framing	x	Activating	x	Mobilizing	x	Synthesizing	=	Successful network cooperation
	x	Activating	x	Mobilizing	x	Synthesizing	=	Good cooperative energy exists, but confusion on its direction/outcomes
Framing	x		x	Mobilizing	x	Synthesizing	=	Direction and commitment exist, but lack of some actors, resources and activities
Framing	x	Activating	x		x	Synthesizing	=	Direction exists and the right players are there, but lack of real, continuing commitment
Framing	x	Activating	x	Mobilizing	x		=	Lack of follow-up on outcomes and/or insufficient removal of barriers to cooperation impede relationship learning and the gradual improvement of interaction

It is likely that different types of networks will reveal different patterns of the four network management functions. In some networks, for instance, there will be more need to frame and activate, whereas in other networks there may be more need to mobilize actors and synthesize cooperation. In some networks common staff and planning systems may be key coordinating mechanisms of the network, whereas in others the key mechanism may be incentive and information systems. These patterns are ultimately determined by the characteristics of the network (size, maturity, uncertainty of future, etc).

Creating new knowledge and changing the patterns of activities may be more important to rapidly developing and innovation networks than to more stable networks (Möller et al. 2005; Dhanaraj & Parkhe 2006). Thus, we suggest that framing, activating, and mobilizing may be more important to rapidly developing and innovation networks. When networks mature and focus more on improving efficiency, they may become less effective in addressing their customers' changing needs and will need to re-invest in framing their value-creation. Therefore, the four network management functions must be balanced in the long term.

Conclusions

This paper argues that the management of hierarchies, markets, and networks are fundamentally similar, since they are all value-creation systems consisting of actors, activities, and resources. We identify the basic elements of hierarchical, market-based, and network management as (1) ensuring that actors know what value is to be created and how; (2) organizing the patterns of actors, resources, and activities needed to create value; (3) ensuring that actors are committed to performing the required value-creating activities; and (4) monitoring the efficiency and effectiveness of the value creation and taking corrective action when necessary. These elements correspond to the management concepts of planning, organizing, leading and controlling. These terms, however, connote the hierarchical idea that a manager addresses these functions, while a subordinate fulfils the manager's wishes. In contrast, network management involves reciprocity, mutual understanding, and constant negotiation. Thus, we suggest renaming the basic network management functions as framing, activating, mobilizing, and synthesizing.

This paper has some limitations. First, while we refer to a number of network management articles, our framework would benefit from a more rigorous state-of-the-art review of management in hierarchies, markets, and networks. Furthermore, our framework is conceptual and lacks empirical grounding. Further discussion is also needed on the usefulness of relabeling the basic elements of network management.

Another key discussion relates to the question of who manages a network. In contrast to hierarchies and markets, we suggest that everyone is a potential network manager. Every actor in a network is by definition embedded in the network; in order for the network to function, every actor should be involved in framing, activating, mobilizing, and/or synthesizing at least some parts of the network. Some actors naturally gain a more powerful role in a network depending on their resources and capabilities.

The framework put forth in this paper marks a step toward synthesizing network management literature. For the practicing network manager, this framework offers a simple but powerful tool to reduce the complexity of managing networks. We cautiously suggest that our network management framework is generally applicable to all kind of networks, but the limits of applying the framework to different networking contexts should be empirically investigated.

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Annukka Jyrämä

ENTRY OF AN OUTSIDER – A STUDY OF THE INERACTION BETWEEN A GROUP OF BUSINESS RESEARCHERS AND AN ARTIST

Abstract

It has been suggested that in an interaction between actors who do not share similar knowledge and world views, bringing their differences into that interaction will enhance new knowledge creation. This paper studies the interaction of a group of researchers and the entry of an artist into an art project at a business school. The results suggest that the presence of the outsider (the artist) acted as a catalyst for knowledge creation, bringing a new way of looking at, questioning, and even expressing the issue at hand. At the same time, it is important to be able to reflect on the question together by sharing a common language. However, in order not to marginalise the differences in the interaction, positions of power and legitimacy need to be constructed carefully. Moreover, the results provide insights for managers on how to facilitate the entry of an outsider into a community, and enhance the knowledge creation process.

Key words: Entry of an outsider, knowledge creation, enablers, reflection, community of practice, microcommunity of knowledge

Annukka Jyrämä, Helsinki School of Economics, Department of Marketing, P.O. Box 1210, 00101 Helsinki, Finland.

Introduction

The role of a community of practice (e.g. Wenger 2000) or a microcommunity of knowledge (von Krogh et al. 2000) as part of the knowledge creation process has been receiving more attention recently. It has often been suggested that combining different views and allowing new influences to enter a group or a process will enhance knowledge creation (e.g. von Krogh 2000; Wenger 1998). The interaction between people who do not share similar backgrounds or world views has been assumed to be beneficial for knowledge creation processes. Yet there are few empirical studies on this interaction and its real effect on knowledge creation. In addition, some results of prior research on the subject indicate a need for conflict to create innovative knowledge (Beech et al. 2002) or marginalisation of the differences (Reynolds & Trehan 2003).

This paper will focus on the process which takes place at the moment an outsider enters a microcommunity of knowledge. The key question is: *How is knowledge created in the context of the entry of an outsider to a microcommunity of knowledge?* The interaction is studied in the specific context of an art project which took place at a business school, with an artist and a group of business researchers participating. The art project provides an ideal case in which to explore this interaction. The artist, who shows in her art her political and critical background, and the group of researchers and administrators, each of whom have business school backgrounds, together bring out their differences in world view, language, and knowledge. Thus their common goal, to create a work of art that contributes to a dialogue to establish the identity of the Helsinki Business Campus, is an interesting focus for this study.

Some researchers have said that a knowledge creation process can be enabled by creating microcommunities of knowledge (Von Krogh et al. 1997, 2000), and that we learn (create knowledge) when we engage in activities shared with others, in communities of practice (e.g Love & Wenger 1991; Wenger 1998; Brown & Duguid 2001, 1991; Cox

2004). It can be assumed that new knowledge is created in any group, if it is assumed, as in this paper, that new knowledge is always created when sharing experiences and that knowledge is socially constructed and based on experience. Knowledge creation can thus be seen as a constant, dynamic process, as it is continuously re-created and re-constituted in social interactions (e.g. Nonaka et al. 2001; Swan et al. 1999; von Krogh 1998; Tsoukas 1996).

This paper intends to contribute to the discussion on communities of practice and knowledge creation. The entry of an outsider and the knowledge creation process is studied within a context of intersecting communities of practice (Wenger 1998): the community of business education and the community of contemporary art. The interaction is studied within a deliberately-created group of researchers, who attempt to create a work of art with an artist who entered their group later, to discuss the identity of the Helsinki business campus. The questions on communities will be revisited later. This paper gives insights into discussions on the effects of differences and outsider influence on the knowledge creation process. Moreover, it contributes to the management of projects by elaborating enablers for nurturing knowledge creation in the context of an entry of a newcomer to the project. It intends to increase the understanding of the interaction between a microcommunity of knowledge and an outsider entering the group.

The entry of an outsider and knowledge process in the context of communities

A microcommunity of knowledge (von Krogh et al. 1997, 2000) is a small core group of participants that engage in the sharing of tacit knowledge and knowledge creation. The group is characterised by its own rituals, language, practices, norms, and values. The concept of communities of practice (e.g. Lave & Wenger 1991; Wenger 1998; Wenger & Snyder 2000; Brown & Duguid 2001, 1991; Cox 2004) means a freely-created community that engages in an activity together and then gradually forms a tight community that learns together through joint practice. It includes “the language, tools, documents, images, symbols, well-defined roles, specified criteria, codified procedures, regulations, and contracts that various practices make explicit for a variety of purposes” (Wenger 1998, 47). Wenger (1998, 73) defines the dimensions of practice as the property of a community through mutual engagement, joint enterprise, and shared repertoire. Hence, both concepts include communities of people who share some activity or practice, and have similar values, norms and language. However, communities of practice have mainly been defined as freely-created, whereas the concept of a microcommunity of knowledge is usually presented as an enabler for knowledge creation (i.e. manageable) (see Swan et al. 2002 for a discussion on “managing” communities of practice). In the present paper, business education and contemporary art are viewed as different communities of practice in a larger sense, whereas the group of researchers as new patrons, as it is not emerging freely but is a managed entity, as a microcommunity of knowledge.

The role of newcomers or outsider influence in a community has usually been presented as an enhancement to knowledge creation (e.g. von Krogh 2000). It is assumed that combining differences will create new insights and knowledge. Wenger (1998, 2000) discussed the borders of communities of practice, pointing to how the entry of an outsider from a different community might stimulate learning by introducing to the practice something of another. However, when it comes to creating a community, allowing new members to become involved might be difficult. The newcomers may bring new ideas and input to the group, but they might, at the same time, hamper the building of trust and development of the group’s shared values and norms (Jyrämä et al. 2003). Wenger (1998, 140) concluded: “By creating a tension between experience and competence, crossing boundaries is a process by which learning is potentially enhanced, and potentially impaired”.

A study on the role of differences in learning in the case of a postgraduate management programme showed that potential sources of difference were marginalised and silenced during the education program (Reynolds & Trehan 2003). Most interestingly, whether tutors gave allowance for differences or not was important. Hence, it is necessary to consider how to construct legitimacy and power for the "different ones" (see also Wenger 1998).

In a study on new knowledge creation in the context of a management team working with consultants, Beech et al. (2002) presented a case of failure. Beech et al. (2002) studied a meeting which aimed to generate ideas for innovative new products. However, they pointed out that the entry of the consultants did not create any new ways to see the questions at hand. Beech and his colleagues concluded that the existing power relationships and structures did not encourage participants to take risks and enter conflicts, and reinforced the status quo, rather than bring about any degree of change. There seemed to be a need for conflict, to question and confront the current ways of doing things, in order to enable innovative knowledge creation.

The next point under discussion is knowledge enablers. Von Krogh et al. (2000) emphasize that new knowledge creation begins with individual tacit knowledge. However, to achieve a sharing of individual knowledge, one needs to establish the right context to allow it. The knowledge process can be nurtured by creating enablers for knowledge creation (e.g. von Krogh et al. 2000). In this paper, three enablers from previous literature are investigated: namely trust, the role of language, and the concept of ba.

A sense of trust is considered necessary for people to feel secure enough to share their knowledge with others (e.g. von Krogh 1998). Also, the emergence of a community entails a sense of trust, when people want to engage in joint activities and share knowledge. However, the sense of trust does not mean a view on community as a non-conflictual entity (see Lave & Wenger 1991; Wenger 1998).

An important way of creating and sharing knowledge is through conversations. Good conversations are the cradle of social knowledge in any organisation. Hence, the actors engaged in knowledge creation need to share a language. Sharing a language is also part of becoming a member of a community of practice (von Krogh et al. 2000; Lave & Wenger 1991; Wenger 1998). To ensure and catalyse social processes of knowledge creation, an organization needs someone or some group (e.g. a microcommunity of knowledge) which takes responsibility for energising and co-ordinating the knowledge creation effort. The knowledge activist actively creates space and context for knowledge creation (von Krogh et al. 1997).

When discussing knowledge creation contexts, the concept of ba, which refers to the right context for knowledge creation, becomes important. Ba is essentially a shared place that serves as a foundation for knowledge creation, one that is often defined by a network of interactions. The concept of ba unifies the physical spaces, virtual spaces, and mental spaces in knowledge creation. Different bas can also be used as enablers to create knowledge emerging in explicit and tacit knowledge (Nonaka & Konno 1998; Nonaka et al. 2001; Von Krogh et al. 2000). Yet it needs to be emphasized that tacit and explicit are not perceived as separate, but intertwined, all knowledge having both tacit and explicit aspects (e.g. Brown & Duguid 2001; Leonard & Sensiper 1998).

Research method and data analysis

In order to understand the interaction between a group of new patrons and an artist in the specific context of the Helsinki Business Campus art project, one needed to be very sensitive to the context of the phenomenon. Thus, a qualitative approach, more specifically a case study, was chosen as the research method. The case, the HBC-art project, was intrinsic in its nature, as there was an intrinsic interest in this particular case (Stake 1995). This case was not selected because it represents other cases or because it illustrates a particular trait or problem, but because, in its particularity and ordinariness, the case itself is of interest (Stake 2000).

In addition, the theoretical discussion follows the principles of qualitative research. In this study, the process of analysis was not a separate function, but occurred throughout the study as the pre-understanding and theoretical background was reflected upon throughout the whole research process; in gathering the data, writing the results, and drawing conclusions (Coffey & Atkinson 1996).

The data came from nine participant interviews[1] and the material relating to the case, such as letters, e-mails, articles in papers, and so on. Moreover, as the author is a participant in the art project (project manager) an action research approach was applied (see e.g. Coghlan 2001; Ayas 2001; Gronhaug & Olsen 1999; Rigano & Edwards 1998).

The paper will now present the context of the study, the Helsinki Business Campus art project, and then a storyline for the case: the entry of the artist.

The Helsinki Business campus art project – what it is

Fondation de France has a programme called "Nouveaux Commanditaires" (New Patron's of Art), where anyone, a person or an organisation, can become "a commanditaire" and apply for a work of art to be created by a world-famous artist in the pursuit of solving "a problem" of any kind. Being a patron means taking an active part in the identification of the problem or need at hand. The new patron also agrees to co-finance and finds other financing for the planning and the production of the final artwork.

The actors Fondation de France is one of the largest foundations in France and, through

[1] The interviews were collected together with E-K Ahola and Liisa Vaitio (see Ahola et al., 2004)

the aforementioned "Nouveaux Commanditaires" programme, aims to advance the discourse between people and art. Fondation de France provides part of the funding for the project and names an independent mediator to help with organising and running the project. *The mediator* is an expert in contemporary art and art funding. Her main responsibility is to find an interesting *artist* for the project. The selection of the artist is based on artistic merit and the new artwork ought to present a natural continuum for the artist's career.

Helsinki Business Campus is comprised of many units, each with their own identity and culture, but all united by their expertise in the field of business research and/or education. The Helsinki School of Economics has been the main actor in creating and running the Business Campus. The other main partner is the Swedish School of Economics (Hanken). The rest of the organisations are a culinary school, a local high school, and two smaller organizations.

A group of new patrons was formed for the project. The group is a loose group of about ten persons. The group membership is voluntary, and thus, the group consists of people interested in the project and willing to engage in a dialogue with art. This group can be considered the active party in the project, as it is engaged in clarifying the desired message and content of the artwork, as well as further developing these ideas in a dialogue with the artist. The *project manager* is responsible for the working of the group and the relationships with Fondation de France, the mediator, and the support group.

A support group was established for the project, and it consists mainly of the key people from the Helsinki Business Campus main organisations.

The aim and activities of the project

Helsinki Business Campus has engaged itself as a "new patron of art" to discuss its identity problem by means of art. The dispersion of buildings around the suburb of Töölö and the strong identities of its component organisations pose a challenge for creating a common identity for the Business Campus.

At the time of the analysis, the group of new patrons had clarified the need and context for the artwork and formulated a proposal for the potential artist. The mediator had found the project's artist, Martha Rosler. She visited Helsinki Business Campus and talked with the group in autumn 2003. All parties were pleased with the visit, and it was decided to continue the process by requesting a proposal for the artwork from the artist Martha Rosler. Together with the mediator, the artist again visited group in May 2004, in order to present her ideas and familiarize herself with more practical aspects of the project. In autumn 2004, the group is waiting for a more formal presentation to continue with the artwork design.

Artist and business researchers – fruitful interaction

Our group of new patrons slowly developed a sense of community, gradually sharing an understanding of the aims of the art project. We hoped that the artwork would stimulate discussion on the HBC values and also point out the space of the campus for people involved in its activities, and for outsiders, mark the borders, but at the same time make the campus open to all. Participant roles became somewhat well-established: idea creator, process carrier, outside supporter, and so on. Yet the roles adopted by members were not constant, but varied at different times of the process (see Ahola et al. 2004 for elaboration on the different roles). We had created a sense of trust, and shared somewhat similar values (e.g., the wish to change the values of the hardcore business school to softer ones). We had a common language (jargon), histories build on our joint meetings and other gatherings; in other words, we had become a microcommunity of knowledge (see Jyrämä et al. 2003 on the birth of the group).

Prior to the visit of the artist, Martha Rosler, we had gathered information on her background. We discussed and reflected upon her work, ideas, and world view. However, it seemed that we lacked ways to talk about her artworks or ways to tie them into the group's aims and previous discussions. However, we familiarised ourselves in the group with the explicit knowledge available and all individually internalised some of it through our own views and experiences. Swan et al. (1999) suggest that it is sometimes hard to predict what kind of world or worlds are produced in creative interactive processes between individuals; hence, we, the group members, probably each had a very different view and understanding on the works of the artist. The artist had received very little information about the project prior to her first visit. Thus, there was probably no joint vision even within the group or with the artist on the project.

The artist, Martha Rosler, has strong views on politics and society and did not seem to share similar values with the business school environment, but rather some of the values that the group hoped the finished artwork would bring forth. The group of patrons questioned the business campus's perceived values, the values usually connected with business (e.g. making profit, putting personal advancement ahead of society's goals). Similarly, Martha Rosler had questioned values in the context of the society at large in her work, and had brought up questions of city life and space that were also important aspects of the HBC quandary. Thus, it can be assumed that the artist entered the group with some values similar to those of the group, yet different from the "majority" values of the campus. Yet the artist clearly perceived herself as a member of the contemporary art community, whereas the other members felt they belonged to the larger community of business education and the art project. The artist can therefore be perceived as a newcomer to the community of the art project and an outsider to business education.

The entry of the artist helped to build more understanding of the aims of the project. The artist's way of probing with more and more questions, demanding explanations and ways to describe our previous processes, the discussions on HBC identity, what it meant, what were the aspects we had discussed. The artist forced us to reflect more on the discussions we had had on the environment (business education and Finland), on questions and topics that were maybe too familiar or self-evident for us to raise any discussions amongst ourselves. These new discussions and re-examination of previous discussions from a different perspective made us feel more of a community, and made us see more clearly the aims of our project. In a way, we re-joined the path that let us to the proposal, but having "an outsider" question it made it clearer. We built up a new sense of community when we tried to explain and make understood to the artist what we wanted the artwork to discuss.

Viewing the aims of our art project through the works of Martha Rosler gave a new way to look into them, reflecting on a new context and with a new means of expression. When Martha Rosler showed and explained her ideas and work to us, it gave us new insights into our own project. Even though we were not able to put our thoughts into artistic language, we then realised thoroughly the connections between what we wanted to convey and her previous work. Kolb (1984) proposes that learning can only occur through reflection, and reflecting and discussing the experiences with others comes through conversation. Having the artist with whom to reflect on the events and discussions, facilitated reflection and subsequently knowledge creation.

The entry of the artist also made the whole process more concrete and real. Many of the group members commented that only now, when things were going materialise through the artist's proposal was it worthwhile to start talking about the process to people not involved in the group. The period to define the aims and questions, being rather slow, very abstract, and difficult, had created a sense of vagueness for the whole process. But now, as the artist understood our views and found them interesting, and we could really see the connection between the artwork and our own ideas, the whole process entered a new level. Finally, we could see that there would actually be a result for all this talk as well.

Trust, an enabler for knowledge creation (e.g von Krogh 1998; Nonaka et al. 1998), which seemed to have evolved slowly in the group in the beginning (Jyrämä et al. 2003), appeared between the group and the artist during the short first visit of less than one week. Trust could be perceived in the way we, the group, talked about the artist during and after her visit. One aspect was our patience in waiting for her proposal, not doubting her co-operation, even without a formal contract. Trust also enables the sharing of tacit knowledge (e.g von Krogh 1998; Nonaka & Konno 1998) – yet it is difficult to pinpoint any particular examples of this. Sharing tacit knowledge mainly occurs in face-to-face contexts (e.g. Nonaka & Konno 1998). From the project management perspective, it was important that the artist visited the group at an early stage and that trust was established.

Trust might have evolved so easily because we (the group), and the artist unexpectedly shared common ground – the community of universities – as the artist was a professor and a researcher herself. Thus, the opposing positions of us versus the other were never established, but instead, the identity of being one of "us" was created. The discovery of a joint language and values, and building the right context, enabled this development (e.g. Nonaka et al.; 2001 von Krogh et al. 2000). Having learnt from the analysis on the birth of the community (Jyrämä et al. 2003), special emphasis was placed on having different types of ba present: for example, there were face-to-face talks (originating ba), social gatherings and presentations (dialoguing ba), books etc. on artist available (externalising ba) and familiarising oneself with the artist's works before the visit (internalising ba).

The project manager acted as the knowledge activist (von Krogh et al. 2000) as she tried to ensure that different members of the group had the possibility to present their understanding and ideas to the artist. For example, lunches and other meetings were organised with various combinations of the group members, without the project manager always present. This may have helped the group members create a personal relationship with the artist and the project goals.

The question of sharing a language and fostering good conversations, as enablers for knowledge creation (von Krogh et al. 2000), became important due to the artist's entry. Neither, we (the group), the mediator, nor the artist shared the same mother tongue. In addition, the languages used differed within the different worlds; art, business, and university. Thus, some problems arose from putting different emphasis and meaning into words. The project quickly adopted the language understood by most: English and the "university language". However, the language used by the artist differed depending on the situation. For example, when she presented her work to the group she communicated in the art world context, then the group was slow to respond. The art discussion was put aside and the talk moved into "the project language". Also, when establishing their respective positions within the art world, the mediator and the artist discussed specifically in the art context – making the project manager an outsider.

Discussion

In the case of the Helsinki Business Campus art project, the entry of the artist created a new understanding of art and the aim of the project. Thus, it may be concluded that new knowledge was created. Clearly the group members were more aware of the connections between the works of the artist and the project's aims after her visit. The artist's works became more understandable and meaningful. This could be perceived in the discussions among the group members when they reflected on the visit. Hence, in a way, this new understanding can be seen as new knowledge – new knowledge of the art and the project itself. The perceptions of the group members on art had changed through the process and through the interaction with the artist. For example, art is no longer considered only as an object of beauty outside the realm of work or business, but as an active subject conveying meaning (e.g. Ahola 1995; Ahola et al. 2004).

An important aspect of the new knowledge creation process was the way the outsider questioned the aims and discussions taken place before her entry. In the need to make the newcomer understand the aims of the joint process, the group itself became more aware of these issues as aspects taken as self-evident were also brought forward, questioned, and explained.

When the newcomer entered the group, a position of power and legitimacy was created: the aims of the process could only be achieved with her collaboration - or with another artist. The newcomer’s position and legitimacy in the contemporary art community might have played a role when her legitimacy in the microcommunity of knowledge was jointly created. To acknowledge this need and to understand the ways legitimacy and positions of power are constructed in communities is important in order not to marginalise the newcomer’s differences (see Reynolds & Trehan 2003; Wenger 1998).

It is important to emphasise that for knowledge creation, there is a need for reflection: to question, and find a completely new way to look at or express the problem at hand. In order to achieve such an interaction, one needs to create the enablers for knowledge creation: namely trust, shared language, and the different ways to create space for knowledge creation, the ba’s. Hence, the entry of a newcomer does not in itself necessarily entail new knowledge creation but only introduce the potential for it (see also Wenger 1998; Jyrämä & Äyväri 2002; Kolb 1984).

The ease of entry in the case of the HBC art project might thus be due to finding a “common ground”, the fact that the group and the artist very quickly created a sense of “us”, sharing the university world and language to build this sense of belonging. In addition, conscious efforts were made to enable knowledge creation (e.g. creating various ba’s).

The ability of the artist to enter a project quite easily might have played a facilitating role on the interaction. She has participated in projects all over the world and entered many "different worlds" previously. Therefore, she might have developed specific skills and knowledge to manage the situation. It would be interesting to study whether some people create knowledge that enables them to more easily become new members in communities (see also Wenger 1998).

From the project management perspective, the analysis of the HBC art project within knowledge creation framework has identified key aspects in the facilitation of the entry of a newcomer to a microcommunity of knowledge. The success for knowledge creation in the context of the entry of a newcomer is not self-evident. Legitimacy and a position of power need to be created in the interaction. The process of knowledge creation ought to be nurtured by creating enablers for the interaction, otherwise the participants might not achieve a common ground or the newcomer's perspective might be marginalised or not understood.

To conclude, it is also important to note that when the group itself did not seem to be able to advance in their aims, the entry of an outsider clearly acted as a catalyst for knowledge creation, and she became, in a way, a new knowledge activist. The knowledge creation process can be nurtured by creation of the enablers for the process: building a sense of common ground and the ability to share a language, and at the same time bringing in a real difference. In some cases "the outsider" might in fact share the same world view and methods of expression.

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Olavi Uusitalo and Kjell Grønhaug

INTERNATIONAL PARTNERSHIP AND UNREALIZED EXPECTATIONS: THE CASE OF BENECOL

Abstract

To commercialize break-through innovation access to outside markets is usually required. The innovation - in principle - may chose between different options to go international differing highly in risk, capital requirements and control. Often international partnership is chosen. However, international partnership does not always turn out as expected.

Keywords: Commercialization, international partner selection

Olavi H. Uusitalo, Tampere University of Technology, P.O. Box 541 FIN-33101 Tampere, Finland.

Kjell Grønhaug, Norwegian School of Economics and Business Administration, 5045 Bergen, Norway.

Introduction

This paper addresses commercialization of a break-through innovation, Benecol. This as such is important as. A central point is that the potential value is based on expectations and may - or may not be realized in the future, as expectations are associated with uncertainty. Also, expectations are influenced by rumours, information, hope - and may be highly biased because of actors overoptimism (Lovallo & Kahneman, 2003).

To exploit the commercial potential of a break-through innovation accesses to global markets is usually needed. This is particularly so when the innovation originates in a small market, insufficient to fully exploit its commercial potential. However, to access global markets is time and resource demanding. Often assets and capabilities not possessed by the company or as termed by Teece (1986) “complementary”, as well as “co-specialized” assets are required. Usually the needed assets are imperfectly trackable. In its efforts to exploit the potential of a break-through innovation the company – in principle – has several options. For example the company may build up its own global distribution network. This option is inhibitly costly. As the company can sell out the rights of the innovation, or may lease it to others. The profit potentials of these options are, however substantially lower. The company may also cooperate with one or more global partners. A key point is that the profit potential of the various options differs. They also differ in resource requirements and risks.

This paper addresses Raisio’s efforts to exploit its break-through innovation, Benecol, in the global market by entering a formal and exclusive alliance with a global player, Johnson & Johnson McNeil division. Benecol, cholestrol-lowering margarine, was introduced in the food industry by Raisio Group (Raisio) in 1995.

The remaining part of the paper is organized in the following way: in the next section we briefly describe the theoretical basis underlying our study. Here we build on Gartner’s and

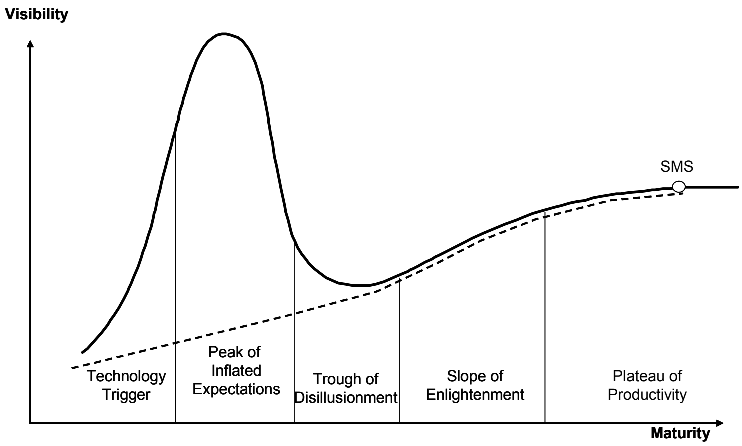
Fenn’s “Hype Cycle Model”. We do so because this model explicitly addresses the role of expectations and that expectations not always are realized as pointed at above. In addition we briefly describe resource requirements and risks of various options to access global markets.

Then we report our case, i.e. Raisio’s effort to commercialize its break-through innovation Benecol. This is based on a longitudinal, historical and contextual case description applying multiple sources of data. After this we analyse the case, where we in particular try to enlighten not only what happened, but also why to, i.e. we try to explain the various recurrences. Finally, we draw conclusions, and discuss implications.

Literature

In this section we report the literature underlying the study, serving as base for capturing and understanding the actual case. Central to our work is Gartner's and Fenn’s Hype Cycle Model. A central aspect of this model is that it captures and characterizes the impact of prototypical expectations over time in the process of commercializing a break-through innovation or technology. The figure is to be read as follows: The horizontal axis of the model is the maturity of the technology and the vertical axis of the model is visibility. Five stages are included in the model: 1) technology trigger, 2) peak of inflated expectations, 3) trough of disillusionment, 4) slope of enlightenment and 5) plateau of productivity.

FIGURE 1. Hype Cycle of Emerging Technologies (Jackie Fenn, 1995).



In technology trigger a break-through, public demonstration, a product launch or generates significant press and industry interest. Peak of inflated expectations, a phase of overenthusiasm and unrealistic projections during which a flurry of publicized activity by technology leaders, results in some successes but more failures as the technology is pushed to its limits. The only enterprises making money at this stage are conference organizers and magazine publishers.

In the trough of disillusionment phase is the point where the technology becomes unfashionable, the press abandons the topic. Because the technology did not live up to its overinflated expectations the press abandons this topic. In the slope of enlightenment phase the focus is on experimentation and solid hard work by an increasingly diverse range of organizations leading to a true understanding of the technology's applicability, risks and benefits. Commercial off-the-shelf methodologies and tools become available to ease the development process.

In the plateau of productivity phase the benefits of the technology are demonstrated and accepted. Tools and methodologies are increasingly stable as they enter their second and third generation. The final height of the plateau varies according to whether the technology is broadly applicable or only benefits a niche market. “(http://www.out-law.com/page-6043)”.

When a new break-through technology is introduced it has huge publicity and expectations usually highly unrealistic. Then comes the drop to the reality and new start is in the hand. As noted above, Figure 1 depicts a prototypical development, thus commercialization of new technologies/innovations may also occur without inflated expectations and publicity, e.g. SMS messages.

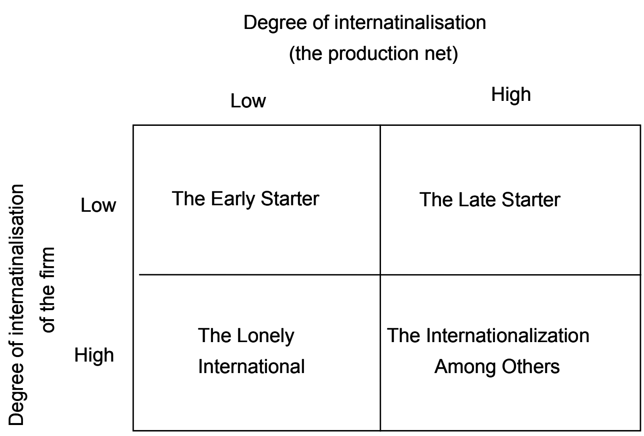
As noted above to benefit from a new technology access for global market is often needed. Market access is resource demanding usually requiring resources not possessed by the company itself. The resources needed to access and exploit global markets are often complementary to the resources possessed by the company. The resources needed may as well be co-specialized (Teece 1986) not easily available in the market. To get global access for the resources needed cooperation with others are usually needed to access and exploit global markets. Cooperation may take multiple forms. A crude distinction can be made between formal and informal cooperation.

Formal and informal cooperation differ from each other in three aspects. Formal cooperation is more visible both within the cooperating firms and outside to other actors. Informal cooperation is based on trust developed through interactions often experienced in business exchange while formal cooperation rests on a formal contract. Informal cooperation evolves as a result of growing awareness of mutual interests, which both take time and require resources. Informal cooperation implies that business comes first and visibility later - if ever - whereas, in formal cooperation, visibility comes first and business later - if ever. Also, informal cooperation is developed by people who are directly involved in the business exchange between firms, such as line managers. Formal cooperation is decided at the higher management level with high involvement of staff. (Håkansson & Johanson 1990).

Cooperation is often needed, and can be advantageous. However, cooperation may also impose risks. Risks are in particular related to the appropriability of the innovation. In particular when the innovating firm is weakly positioned –vis a vis- owners of the needed complementary resources the risk of loosing the benefits are high (Teece 1986).

Johanson and Mattsson (1988) compared four of different situation of internationalisation in networks (see Figure 3). The analysis of the internationalisation process concerns three dimension, extension, penetration and integration. If suppliers, customers and competitors of the firm are international even the purely domestic firm has a number of indirect relations with foreign networks. This is the case for the Late Starter. The firm can be ”pulled out” by customers or suppliers, and in particular by complimentary suppliers. In this case it is not necessary to go from the nearby market to more distant markets. The size of the firm is probably important. For example, a small firm going abroad in an internationalised world probably has to be highly specialized and adjusted to problem solutions in specific sections of the production net.

FIGURE 2. Internationalization and network model (Johanson & Mattsson, 1988).



Case: Benecol

To examine the challenge of exploiting a break-through in global markets empirically we address an actual case, Raisio's Benecol. In our study we apply a longitudinal, historical and contextual approach (Yin 1984 & Pettigrew 1985). We do so because exploitation of an innovation does not take place in vacuum, it is context bound. It also takes substantial time. In addition the outcome of an effort for exploit a new technology and how it actually happened can only be studied ex post.

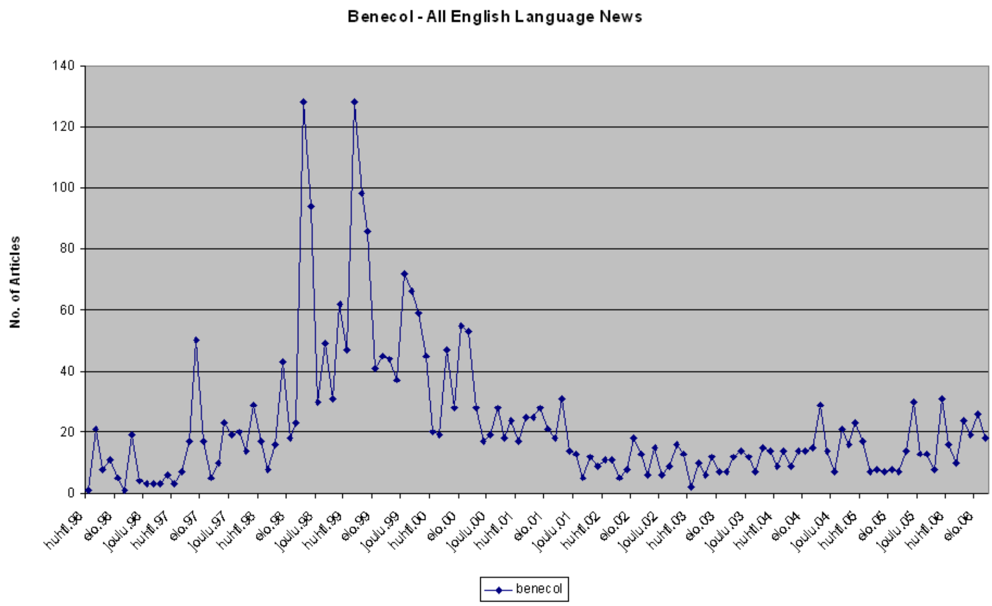
Raisio's Benecol in 1989-2003:

The term functional food leads to think a food with a specific function or effect. The product may vary both in shape and in specific function but the desired outcome is a scientifically justified medical effect. The effect may be a preventive one, which delays or altogether impedes the onset or further development of a disease, or even a curing one. The last effect, curing one, makes the distinctions between food and medicine blurred. If functional foods are seen as food products, they are also expected to appear food-like and have a pleasant taste. If functional foods are seen as proactive medicines, they may assume medicine-like shape and taste (Mark-Herbert, 2002).

In the late 1970s, research showed that plant stanols were the most effective and safe of the plant sterols in reducing serum cholesterol. In 1989 Raisio, a Finnish food and chemical manufacturer, found a way of turning plant sterol and stanol into plant stanol fat suitable for food production. In 1991 Raisio got worldwide patents for Benecol and four years later manufacturing of Benecol started. In the meantime Raisio had made the top management option program agreement in 1993. Raisio's turnover in 1996 was 0.65 billion euros. The cholesterol-lowering findings of a Finnish clinical study were published in the New England Journal of Medicine (NEJM) in November 1995 (See Appendix 1). At the same time Benecol margarine was introduced with great success on the Finnish market. The stanol discovery had also sparked very active interest internationally. Cholesterol problems were shared by all industrialized countries. Two grams (obtained from 25 grams of Benecol margarine) a day can be an effective dosage of stanol. In summer 1996 stock analysts valued the Benecol patents to 2 billion Euros.

Raisio couldn't keep up with the demand - even though the product was seven times more expensive than ordinary margarine. Raisio's shares soared - from around FIM14 in January 1996, to a high of FIM89 in March 1997. Since the health authorities in Finland approved Benecol's cholesterol reducing claims. Raisio sold $12 million worth of Benecol in 1996 – and gained 2.6 % of the Finnish margarine market. Raisio also looked the US market. Raisio told that they knew that it may take years for the company to get Food and Drug Administration's of US (FDA) permission to claim that Benecol reduces cholesterol levels. According to one UK based stock market analysts Benecol was a break-through product, the next-generation Nutra-Sweet, a trade mark of aspartame. Raisio management was surprised with offers (of cooperation) coming from large and small companies. In April 1997 the CEO of Raisio said: "One giant global partner would not get Benecol out with maximum speed, [but] the number 2s in individual markets may be more hungry to take this interesting innovation forward" "(Echikson, 1997)". International press followed Raisio and its acts with Benecol very intensively (Brännback, 2003). Figure 3 shows the frequency of the follow up of the international press. Raisio also believed that the profit will be made by selling the Benecol active ingredient to other players in the food industry.

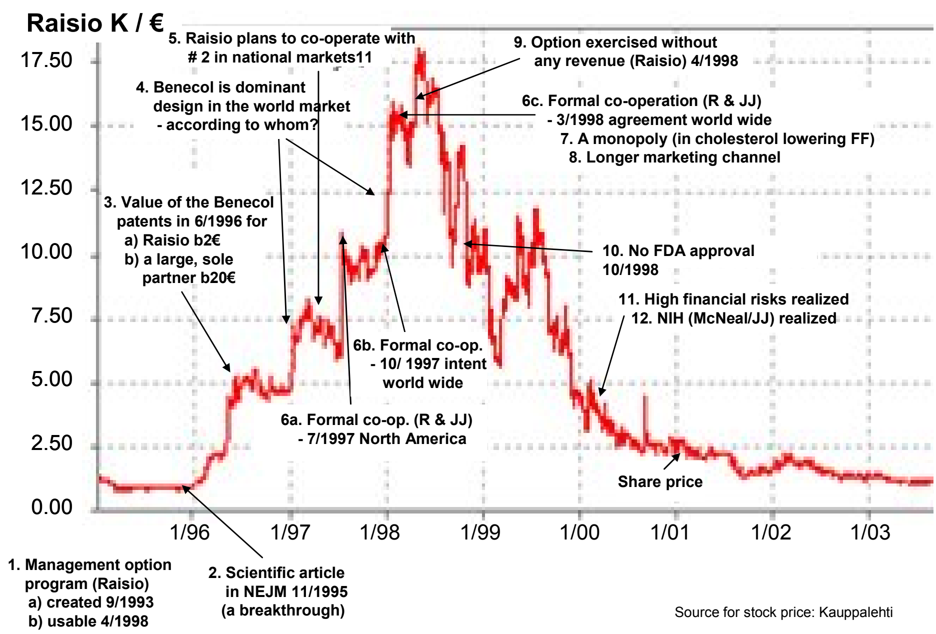
FIGURE 3. The frequency of all English language news of Benecol.



In July 1997 Raisio signed an agreement with the American McNeil Consumer Products Company (McNeil), a subsidiary to the Johnson & Johnson group (JJ). The contract gave McNeil the sole right to use the Benecol trademark and patents on the US, Canadian and Mexican markets. The agreement released Raisio's resources to other markets. McNeil estimated the US market 70 times as large as the Finnish market and it aimed to introduce the first products in US in 1998. In March 1998, Raisio extended the cooperation with McNeil to global dimensions. Raisio kept the entire production of stanol ester and was responsible for the Finnish and neighboring markets. According financial analysts the agreement was a win in lottery for Raisio. JJ was that time the world's biggest producer of health-related products. Its turnover in 1996 was 24 billion euros and it had 170 subsidiaries in 50 countries. McNeil is the largest supplier of over the counter drugs in the US. Raisio chose McNeal because it trusted McNeal's abilities to handle the bureaucracy of the FDA.

In 1996-1999 Raisio invested in Benecol production facilities 50 million euros. In April 1998 the top management of Raisio exercised their option. The antitrust authorities of the US approved the Raisio and McNeil agreement quickly, but the FDA did approve the Benecol ingredient as the status of an ordinary food after a long process in 1999. This long waiting time gave the possibility for competitors to enter the market. McNeal sold the first Benecol products in the US market in the mid 1999. During the four months after its introduction in the US the sales of Benecol were only $13 million, which was much less than the partners expected. Because of the low sales McNeil decided to cut the advertising of Benecol budget. At the end 1999 also Unilever launched its cholesterol lowering margarine in Europe. In 2000-2003 Raisio and McNeil have agreed that MCneil were no more responsible for several international markets. Instead Raisio took responsibility of them.

FIGURE 4. The events relating to Raisio Benecol and Raisio's stock price in 1995-2001.



Analysis

Benecol was patented in 1991 (not presented in Figure 4). In 1993 Raisio made an option program for its top management (Appendix A; Item 1, which is outside of the timescale). The article of Benecol's effects on lowering the cholesterol (Item 2) was published in NEJM in November 1995. In spring 1996 the Benecol patents were valued between one to and billion euros (Item 3). Raisio's expectations and stock price skyrocketed. Raisio probably got the feeling that Benecol would solve all the cholesterol problems in the industrialized countries and thus thought that Benecol was a dominant design in functional foods (Item 4). In April 1997 Raisio' top management believed that based on the rapidness of the diffusion of Benecol the No. 2s in individual markets would be a far better choice than one giant global partner (Item 5 a&b).

Still a giant global partner was kept in consideration. Raisio (R) and McNeil, a subsidiary of Johnson & Johnson (JJ) group, made the agreement covering the North America in July 1997 (Item 6a). The world wide pres were extremely overwhelmed of the announcement of the agreement (Brännback 2003). The analysts thought that the agreement with JJ was a win in lottery for Raisio. "We gave applauds the agreement which gives Raisio an excellent partner, which has remarkable marketing abilities on the most important market, the U.S., of Benecol" Anne Alexandre, an analysts of credit Suisse/First Boston, proudly presented in her memo.

After the agreement was signed stock analysts made another "market research" with excellent forecast (especially in the US) for Benecol, again, although not a single Benecol product was sold there. The agreement confirmed the principle that Raisio kept the entire production of stanol ester in its own hands and developed Benecol production and marketing in Finland and neighboring areas.

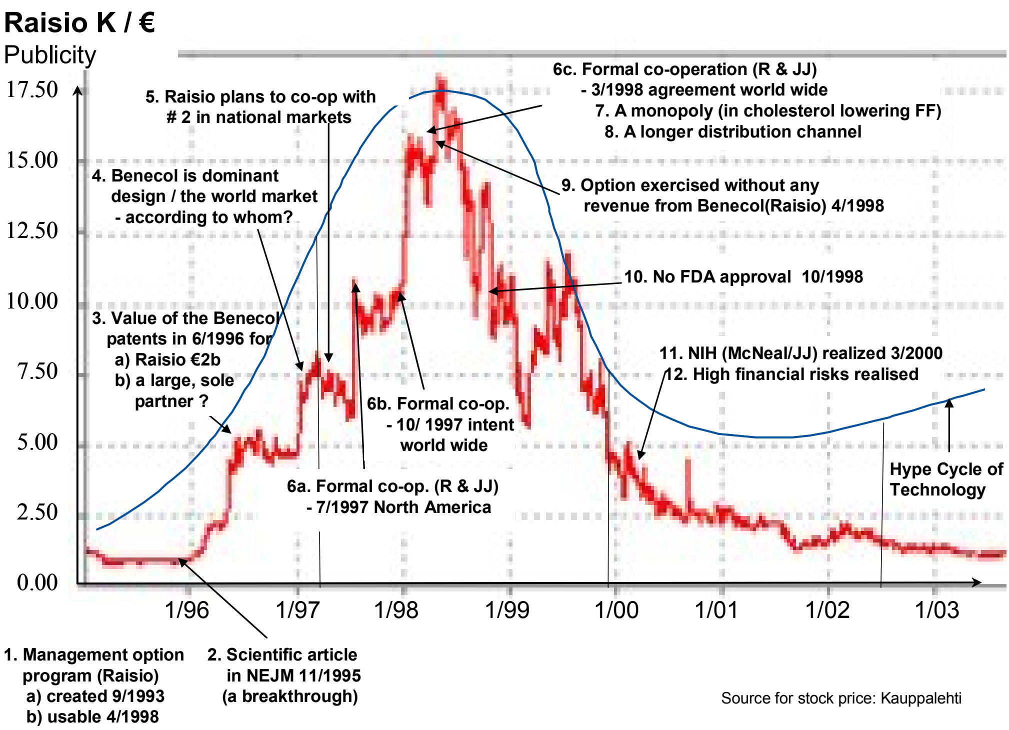
Raisio and McNeil continued the negotiation to enlarge the co-operation worldwide. In October 1997 they announced to have signed a letter of intent of the world wide co-operation

(Item 6b). At this moment both companies thought (or hoped) that Benecol is indeed a dominant design in cholesterol lowering functional foods. In this way they also made a worldwide monopoly for Benecol in cholesterol lowering functional foods (FF), and hoped to conquer the whole world immediately (Figure 4, items 6c and 7). The entire profit estimation with a giant global partner is interesting. In assuming that Raisio planned to make at least one billion euros (half of the price of the highest value of Benecol patents) profit let say in ten years, and then a 20 times larger partner planned certainly to make at least 15 times Raisio's profit in the same time period, that is 15 billion euros. The only way for a sole partner to make such a profit is a worldwide exclusive agreement. All food manufacturers in almost every country must buy Benecol from McNeil. However, this also lengthened the distribution channels (Item 8). Just after the global agreement between Raisio and McNeal was made the top management of Raisio exercised their options in April 1998 (Item 9). Raisio's US partner tried to get approval as a health related product from FDA. The process was difficult.

JJ is the world's biggest and most versatile producer of health-related products. Its turnover totaled $ 21.6 billion in 1996 and it has 170 operative companies in 50 countries. JJ is also a very R&D oriented company. For instance, in 1996 they invested in R&D almost 10 billion FIM, which is twice as much as the turnover of Raisio. In the same year JJ received the highest US award, the National Medal of Technology, for the innovation capability of a company. Thus Benecol had to compete with JJ's own products for salesmen's attention and effort. Moreover, in formal co-operation top management gives orders to the lower level, which affects on salesmen's motivation (Håkansson & Johanson 1990). This is reflected in Figure 2 as a Not Invented Here (NIH) syndrome (item 11). In the early 2000 when the sales of Benecol did not take up the huge financial risks were realized (item 12).

Benecol got enormous publicity a couple of months after the article in NJEM in November 1995. Next year based on this stock analysts made the first "market research" with excellent forecasts for Benecol. The share price rose. The stock analysts watched all the moves of Raisio, but mainly overlooked reaction of potential customers. Stock analysts interests and the publicity in the world wide media created a huge hype on Benecol. At the end of 1995 only ten percent of Raisio's stock was owned by foreign investors, but at the end of April 1996 foreign investors owned already 40 per cent of the shares.

FIGURE 5. Hype Cycle Emerging Technologies and the share price (K-Serie) of Raisio in 1995-2003.



The first stanol ester plant was completed in Raisio in December 1996. It was a prototype designed within the company, and development has taken place alongside daily production. Another adjoining unit was built after the agreement with McNeil was signed. In 1996 and 1997 Raisio invested in Benecol $25 million (27 million euros) (Talouselämä 4/97:59). In November 1997 the company decided to build a stanol ester plant in South

Carolina, scheduled to go on stream in early 1999. The investment totaled $ 22 million (22 million euros). The building project was related to the contract made with McNeil. At the beginning of Benecol marketing, McNeil got stanol ester from the expanded Raisio plant. When the stanol ester plant in South Carolina was ready, stanol ester production capacity was four times the 1997 level.

The approval process of functional food in FDA was not new for Raisio. The company knew the challenges xylitol, a Finnish artificial sweetener, had had in FDA's testing. Xylitol had to wait for almost a decade for approval (Uusitalo 2000). Maybe it is also good to know that the US citizens were saved from consequences of the drug thalidomide in the early 1960s thanks to the rigid tests and resistance of one individual in FDA.

It is well known that neither, consumers, competitors nor authorities like monopolies. Benecol ended up being just a generic complementary asset among McNeal's brands (Teece 1986). Benecol would have been a cospecialized asset for the hungry No. 2s in individual markets. This can partly explain the difficulties of Benecol to become approved FDA, which delayed marketing.

"Drucker (1985)" points out that customers' expectations, their values and needs are important for an innovation to be successful. This aspect was totally neglected in the Benecol case. Nobody was interested how (in which form and in which product; in margarine, milk etc.) Benecol should be marketed for instance in the US. How important are third parties, for instance medical doctors in promoting the product? Everybody believed on stock analysts and the international press. Maybe Benecol's experience in the Finnish market was just generalized in the 70 times larger US market. Also Drucker's (1985) second idea of a successful innovation that it should be simple and focused was forgotten. Bececol is a functional food between ordinary food and medicine, thus providing a lot challenge for the commercialization. Which way to market it? Should it be sold as an ordinary food via food stores or as a medicine via pharmacies? Moreover Raisio tried to start market Benecol in a large scale on worldwide market against Drucker's message. When this was not done properly it created an opportunity for the competition.

According to Johanson & Mattsson (1988) the Late Starter can be ”pulled out” by customers or suppliers, and in particular by complimentary suppliers. However, in the case of a small firm going abroad in an internationalised has to be highly specialized and adjusted to problem solutions in specific sections of the production net. It seems that Benecol was not in this sense good enough for JJ.

Technology trigger, peak of inflated expectations and trough of disillusionment, of Gartner's and Fenn's Hype Cycle Emerging Technologies cycle has been added in the Figure 5. The share price of Raisio is pretty much following the hype cycle curve.

Conclusions

The enormous publicity, stock market reactions and top management option program confused the decision making of Raisio with Benecol. Had Raisio not been a stock listed company it would not have got such publicity and pressure. It would have been much more patient in licensing negotiations and partner selection. Probably Raisio would have also used informal co-operation. Raisio had poor knowledge of the industry. Neither analysed Raisio the consequences of the formal co-operation with one player, and overestimated greatly the importance of worldwide monopoly for Benecol. In order to exploit the potential benefits of a monopoly the product must attention and sufficient resources. Here the needed attention and effort were lost or directed to other JJ´s products.

It would be interesting to find out the mechanism which poses the share price of Raisio in 1996-1998. At the moment we do not have operationalized the effect of publicity in the international press to the share price. It will be the next step in our work.

Raisio gives an interesting example of a new start after a huge publicity. In 2005 the sales of Bebecol products was 60 million. Raisio exported 90 per cent of its Benecol sales to 20 countries. The original target market, the US, accounted only 5 per cent of the export. Johnson & Johnson (McNeal) takes well care of the U.K market. Several markets from the worldwide exclusive agreement with J&J have been taken back to Raisio. The manufacturing technology has now been licensed directly to other food manufacturers. That is, the world wide monopoly has been demolished and marketing channel has been shortened. The new start would be interesting matter to study. This will be our second research avenue.

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APPENDIX 1. Abstract of the article in The New England Journal of Medicine.

The New England Journal of Medicine

Original Article: Volume 333:1308-1312 / November 16, 1995 /Number 20

Reduction of Serum Cholesterol with Sitostanol-Ester Margarine in a Mildly Hypercholesterolemic Population

Tatu A. Miettinen, M.D., Pekka Puska, M.D., Helena Gylling, M.D., Hannu Vanhanen, M.D., and Erkki Vartiainen, M.D.

ABSTRACT
Background Dietary plant sterols, especially sitostanol, reduce serum cholesterol by inhibiting cholesterol absorption. Soluble sitostanol may be more effective than a less soluble preparation. We tested the tolerability and cholesterol-lowering effect of margarine containing sitostanol ester in a population with mild hypercholesterolemia.

Methods We conducted a one-year, randomized, double-blind study in 153 randomly selected subjects with mild hypercholesterolemia. Fifty-one consumed margarine without sitostanol ester (the control group), and 102 consumed margarine containing sitostanol ester (1.8 or 2.6 g of sitostanol per day).

Results The margarine containing sitostanol ester was well tolerated. The mean one-year reduction in serum cholesterol was 10.2 percent in the sitostanol group, as compared with an increase of 0.1 percent in the control group. The difference in the change in serum cholesterol concentration between the two groups was -24 mg per deciliter (95 percent confidence interval, -17 to -32; $P<0.001$). The respective reductions in low-density lipoprotein (LDL) cholesterol were 14.1 percent in the sitostanol group and 1.1 percent in the control group. The difference in the change in LDL cholesterol concentration between the two groups was -21 mg per deciliter (95 percent confidence interval, -14 to -29; $P<0.001$). Neither serum triglyceride nor high-density lipoprotein cholesterol concentrations were affected by sitostanol. Serum campesterol, a dietary plant sterol whose levels reflect cholesterol absorption, was decreased by 36 percent in the sitostanol group, and the reduction was directly correlated with the reduction in total cholesterol ($r = 0.57$, $P<0.001$).

Conclusions Substituting sitostanol-ester margarine for part of the daily fat intake in subjects with mild hypercholesterolemia was effective in lowering serum total cholesterol and LDL cholesterol.

Tikkanen Henrikki and Jaakko Aspara

THE IMPACT OF COMPANY IDENTIFICATION ON INDIVIDUALS' INVESTMENT BEHAVIOR

Abstract

The purpose of the article is to explicate and empirically examine how an individual's identification with a company influences his/her willingness to invest in the company's stock, beyond the financial returns of the stock. Such influence has been vaguely implied in prior corporate marketing, branding, and identity literatures, as well as stakeholder identification theory, but not closely examined empirically before. Survey data was obtained from over 400 individuals, concerning a recent decision of each individual to invest in a certain company's stock rather than others, as well as concerning his/her identification with the company at the time of the investment decision. PLS structural equation modeling was applied to examine a structural path model addressing a set of hypotheses derived from theory. Firstly, company identification is found to have positive impact on the individual's determination to invest in the company's stock rather than other companies' stocks that have approximately similar expected financial returns/risks. Secondly, company identification is found to elicit preparedness to invest in the company's stock with lower financial returns expected from the stock than from others. Both influences are partially or fully mediated by the individual's willingness to support a company which he/she identifies with, by investing in its stock.

Keywords: Company identification, organizational identification, investment behavior, individual investors, corporate marketing, corporate identity, corporate brand

Jaakko Aspara, Helsinki School of Economics, Department of Marketing, P.O. Box 1210, 00101 Helsinki, Finland.

Henrikki Tikkanen, Helsinki School of Economics, Department of Marketing, P.O. Box 1210, 00101 Helsinki, Finland.

Introduction

In corporate marketing, corporate branding, and corporate identity literatures, it is now widely agreed that all the various audiences, constituencies, and stakeholders of a corporation essentially orient their behaviors according to what they perceive about the corporation ('s identity) and how they evaluate it, i.e., according to its corporate (brand) image/reputation. Notably, this is seen to be the case not only with the corporation's customers but also with other classes of stakeholders, including investors (Balmer & Gray 2003; Brown, Dacin, Pratt & Whetten 2006; Hatch & Schultz 2003; Melewar & Karaosmanoglu 2006). For instance, Hatch and Schultz (2003) note that the perception of a corporate brand may create attraction that affects the decisions and behaviors of external constituencies, such as decisions to invest in the company. Also marketing researchers in general (Lovett & MacDonald 2005; Schoenbachler, Gordon & Aurand 2004), as well as researchers in (behavioural) finance (Frieder & Subrahmanyam 2005), have recently become interested in the effects of individuals' perceptions and evaluations of corporations' brands on their investment behavior.

As a special case of individuals' perceptions and evaluations of corporations, recent stakeholder and organizational identification theories have proposed and found evidence that individuals may come to have actual identification relationships to corporations, with behavioral consequences (e.g. Ahearne, Bhattacharya & Gruen 2005; Bhattacharya & Sen 2003; Cardador & Pratt 2006; Scott & Lane 2000). Again, such identification has been proposed to be possible among investors (Scott & Lane 2000), particularly individuals that engage in investing in companies' stocks (Aspara, Olkkonen, Tikkanen, Moisander & Parvinen 2008).

Despite the increasing interest in individuals' identification with corporations and the possible influence of such identification on their investment behavior, the specific paths of such influence have not been empirically examined so far. Addressing this research gap, we present an empirical study that increases our understanding and provides evidence of the impact of individuals' identification with companies on their willingness and decisions to invest in those companies' stocks. Specifically, we identify and find evidence of two ways in which an individual's identification with a company may contribute to his/her decisions to buy the company's stocks. Firstly, company identification is found to have positive impact on the individual's determination to invest in the company's stock rather than other companies' stocks that have approximately similar expected financial returns/risks. Secondly, company identification is found to elicit preparedness to invest in the company's stock with lower financial returns expected from the stock than from others. Both influences mediated by the individual's willingness to support a company which he/she identifies with, by investing in its stock.

The rest of the paper is organized as follows. In the following section, we develop the theoretical arguments and hypotheses concerning individuals' decisions to invest such companies' stocks which they identify with. Next, we describe the method and data used in our study and, thereafter, present the results addressing our hypotheses. Finally, we conclude with a summary and a brief discussion.

Theory and Hypotheses

In finance research, investors are traditionally seen to be guided by financial considerations and to select investments, including stocks, based on their expected future returns and perceived risks compared to other potential investments (Clark-Murphy & Soutar 2004). However, recent behavioral finance research has questioned the traditional utility functions that only incorporate financial risk and return for explaining investor behavior and ignore the multiplicity of human needs, and the heterogeneity between individuals in satisfying these needs (Fisher & Statman 1997; Hoffmann, von Eije & Jager 2006). It has been argued that "some – perhaps most – investors have preferences that go beyond expected financial returns and risk." (Fisher & Statman 1997; Hoffmann et al. 2006). Particularly, a recent argument is that individuals may obtain emotional or experiential utility (Beal, Goyen & Phillips 2005; Cullis, Lewis & Winnett 1992; Fama & French 2004, 2007) and self-expressive benefits (Statman 2004) from owning companies' stocks, making ownership not only an investment for future, deferred utility, but also psychic "consumption" in the present. The fact that even the most fierce proponents of traditional finance, such as Fama and French (2007), have recently questioned the strict distinction between investments and consumption goods is certainly a strong call for bringing marketing and consumer theories to the realm of finance and investment phenomena (see also Statman 2004). We take a step into this direction by applying (social) identification theory to individual's investment behavior.

According to social identity theory (Tajfel & Turner 1986), an individual's self-definition is an amalgam of not only idiosyncratic attributes but also social identities perceived as being most relevant by the individual. The concepts of organizational identity and company/corporate identity, in turn, have been linked to social identity theory so as to provide understanding on the process whereby individuals identify with organizations, be it as consumers or customers (Ahearne et al. 2005; Bhattacharya & Sen 2003; Fournier 1998), employees (Cardador & Pratt 2006; Pratt 1998), or stakeholders in general, including stockholders and investors (Scott & Lane 2000).

By definition, an individual identifies with a company to the extent that he/she perceives an overlap between the company's organizational attributes and his/her individual attributes (Dutton, Dukerich & Harquail 1994; Marin & Ruiz 2007; Scott & Lane 2000). This precludes that the individual is aware of the company and has a certain perception of its identity, deriving from the (perceived) central, distinctive, and enduring attributes of the organization (cf. Albert & Whetten 1985) – the conceived identity in Balmer's terms (e.g. Balmer & Greyser 2002). Moreover, as an individual can *potentially* self-identify with all possible social categories, i.e., social constructions that may come from culture, society, marketers, peer groups, etc., *actual* identification calls for the target (such as a company) to be somehow self-relevant, or self-important for the individual (Reed 2002).

Central for the present argument, the strength of an individual's identification with a company is related to the degree to which the individual will give preferential and supportive treatment to the company, actively seek to increase its welfare, and/or cooperatively give more of his/her scarce resources to it (Bhattacharya & Sen 2003; Dukerich, Golden & Shortell 2002; Scott & Lane 2000). Notably, one way through which such preferential and supportive treatment, seeking of welfare-increase, and giving of scarce resources may be pursued is through investing in the company's stock. This would constitute extra willingness to invest in the company's stock, beyond its expected financial returns/risk, reflecting the individual's self-expressive tendency. Specifically, the positive influence of an individual's identification with a company on his/her willingness to invest in the company's stock is likely to manifest in two ways. First, it should manifest (1) in the individuals' determination to invest in the company's stock rather than other companies' stocks that have approximately similar expected financial returns/risks. Second, it should even manifest (2) in the individual's preparedness to invest in the company's stock with lower financial returns expected from the stock than from another company' stock (at a given risk level).

In sum, our hypotheses are:

Hypothesis H1: The stronger is an individual's identification with a company, the greater is his/her determination to invest in the company's stock rather than other companies' stocks that have approximately similar expected financial returns/risks.

Hypothesis H2: The stronger is an individual's identification with a company, the greater is his/her preparedness to invest in the company's stock with lower financial returns expected from the stock than from another company.

Finally, it should be noted that the pursuit of the preferential and supportive treatment and giving of scarce resources to the company through stock investment due to identification may be unconscious or conscious. Accordingly, we view that the above effects of company identification may be either direct or indirect, through (consciously) increased willingness to support the company by investing in its stock.

Method

Data Collection and Sample

Learning about the impact of company identification on individuals' willingness and decisions to invest in company stocks requires data on (a) the degree to which individuals identify with specific companies, as well as on (b) the individuals' willingness and decisions to invest in those companies' stocks. In order to obtain data on individuals' real investment decisions concerning the stocks of specific companies, we pursued contact with individuals who had recently invested in certain companies' stocks. Contacting individuals with recent investment decisions (~less than two years in the past) was considered a necessity so that accurate data concerning that investment decisions could be obtained: the individuals would likely still remember the decisions and the decision making context.

Our approach was to obtain data from a fairly extensive sample of individuals, concerning a recent decision of each individual to invest in one company's stock rather than another, as well as concerning his/her identification with the companies at the time of the investment decision. In other words, we studied a fairly extensive sample of individuals, whereby a single individual would reflect his/her investment behaviour towards one company.

As a population of interest we had such people living in (Northern) Europe that might invest some of their savings in stocks of publicly traded companies. We approached 300 individuals per four companies from different industries, listed in Helsinki Stock Exchange, Finland: the individuals were randomly sampled from a list of such stockowners of the companies who had become stockowners during the past 1.5 years. The individuals were sent a survey questionnaire with mail, with a prepaid reply envelope. 440 usable questionnaires were returned, yielding a good response rate of 36.7%. The eventual sample size was adequate for the main data analysis method used: PLS path modelling. Based on a heuristic often used (Chin & Newsted 1999), the number of cases with PLS should be at least ten times the largest number of paths leading to a latent variable in the model. In our model, the number of paths leading to the dependent variables was around 20 (1 main determinant, 1 mediating variable, 1 control variable, 3 dummy control variables identifying the company owned by the respondent, 3 dummy control variables identifying a comparison company, 12 determinant/mediating variable X dummy variable interactions). We contacted the participants in the summer of 2007. The contacted individuals were informed of a possibility offered to respondents to win small prizes.

Overall approach and study design

The overall design used to examine the hypotheses was a retrospective scenario involving the subjects to respond to scenarios in which each subject was:

1. asked to retrospectively recall the time when he/she had bought the stock of the company that he/she currently owned (‘invested company’, i.e., the company from whose stockowner register the contacts of the subject in question had been drawn for mailing the questionnaire)
2. presented with the name of another, real stock-exchange-listed company (‘comparison company’),

3. requested to respond to questions pertaining to company identification, concerning both the invested company and the comparison company, and
4. requested to ponder their investment as if it had been a choice between the invested company and the comparison company.

Specifically, the effect of the *difference* between the subject's degrees of identification with the invested company and the comparison company on his/her relative willingness to invest in the invested company's stock vs. the comparison company's stock would be analyzed.

The invested companies and comparison companies represented different industries, as described in Table 1. To enable better generalizability of the results and more varied invested company–comparison company combinations, we manipulated half of the respondents for each invested company to have one comparison company, while the other half to have another comparison company.

TABLE 1. Industries of the companies studied.

Invested company	**Invested company's industry/product category**	**Comparison companies**	**Comparison companies' industry/product categories**
N	tires	M; F	interior decoration; domestic free-time tools
F	gardening and other domestic free-time tools	N; T	car and other tires; food products
A	sports equipment and apparel	M; F	interior decoration; domestic free-time tools
B	biotechnology drugs	N; A	car and other tires; sports equipment and apparel

Analysis Method and Measures

We apply PLS structural equation modeling (Fornell & Cha 1994) to test the hypotheses. Specifically, we employ SmartPLS (Ringle, Wende & Will 2005), which allows for the simultaneous testing of hypotheses while enabling single- and multi-item measurement, as well as the use of both reflective and formative scales (Fornell & Bookstein 1982). The structural model shown in Figure 1 contains as latent predictor variable the individual's identification with the company (COMPANY IDENTIFICATION). The dependent variables are (1) the individual's determination to invest in the company's stock rather than other companies' stocks that have approximately similar expected financial returns/risks (DETERMINATION TO INVEST WHEN EQUAL FINANCIAL RETURNS) and (2) the individual's preparedness to invest in the company's stock with lower financial returns expected from the stock than from another company (PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS). Besides, the model contains a mediating variable for an individual's willingness to support the company by investing in its stock (WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING).

We also include one latent control variable in the model, pertaining to an individual's awareness of the corporation (CORPORATE BRAND AWARENESS), in order to control for the possibility that any found effects are due to individuals' varying familiarities with the companies, their products, and brands. This is because earlier research has found evidence of the fact that familiarity with and recognition of a company has positive effect on an individual's preference and proclivity to invest the company's stock (Frieder & Subrahmanyam 2005).

In addition, we included indicators of the invested companies and comparison companies into the model, in the form of dummy control variables, in order to control the effect of invested-company-specificity and comparison-company-specificity of the results. Furthermore, we included interaction terms of the predictor variables and the company dummy variables, in order to control for moderating effects of the invested-company-specificity and comparison-company-specificity.

Concerning an individual's willingness to invest in a company's stock beyond its financial returns/risk, DETERMINATION TO INVEST WHEN EQUAL FINANCIAL RETURNS was measured with a single-item indicator. The subjects were asked:

> "If you had been convinced at the time of buying the [invested company's] stocks that the financial returns from the [comparison company's] stocks would <u>absolutely certainly</u> be <u>exactly the same</u> as those of the [invested company's], how would you have invested?"

The responses were recorded on a bipolar 7-point scale anchored by: 0="Which stock to invest in would have made no difference to me" and 6="I would still have invested in [invested company's] stock."

PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS was measured with a single-item indicator as well, by asking the subjects:

> "How much higher financial returns (assuming that the investment time horizon and investment risk would have stayed the same) should you have been promised from the [comparison company's] stock, so that you would have invested in [comparison company's] stock instead of [invested company's] stock? *Circle a percentage."*

The responses were recorded by asking the subjects to choose a percentage out of the following: 1%, 2%, 5%, 10%, 20%, 30%, 50%, 100%.

WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING was measured by asking the subjects: "How strong a desire did you have to support [invested company's] business by investing in its stocks?" The responses were recorded on a 7-point bipolar scale, anchored by: 0="no such desire at all" and 6="very strong desire".

Concerning the determinant construct, we measured the predictor variable COMPANY IDENTIFICATION with a reflective two-item scale. The first question asked, "How well did [company X] reflect the person that you were like?". The responses were recorded on a 7-point bipolar scale anchored by 0="not at all" and 6="very well". This question was developed to measure company identification as the perceived overall overlap between one's self-concept and the identity of the company, adapting a question used by Bergami and Bagozzi (2000) to language more understandable to the respondents[1]. The second question was, "How important was [company X] to you personally?" The responses were recorded on a 7-point bipolar scale anchored by 0="made no difference" and 7="very important". The second item was developed to incorporate the notion that identification with a target calls for the target to be somehow self-important (Reed, 2002).

The control variable CORPORATE BRAND AWARENESS was measured with a single indicator. The subjects were asked "How well do you think you knew [company X] as a company?" The responses to this question were recorded on a 7-point bipolar scale anchored by 0="not at all" and 6="very well".

In general, the reliability of the reflective scale of COMPANY IDENTIFICATION is satisfactory. The used scale achieves a satisfactory alpha score of .77. The average variance extracted is .82 and composite reliability .90. Multicollinearity between the main predictor and control variables is not an issue: all correlations among latent variables are less than or equal to .5.

[1]Bergami and Bagozzi's question was, "Please indicate to what degree your self-image overlaps with [organization X's] image", anchored by "not at all" and "very much" on a 7-point scale.

Results

Descriptive Statistics Concerning Willingness to Invest Beyond Financial Returns/Risks

In contrast to the ‘benchmark’ notion of traditional finance that only financial returns and risks matter, our hypotheses prescribe that individuals may have extra willingness to invest in a company’s stock, beyond its expected financial returns/risk. Examining the distribution of values on the two dependent variables derived, our prescription receives support. Figures 1 and 2 present the one-way frequencies concerning the dependent variables.

With regard to DETERMINATION TO INVEST WHEN EQUAL FINANCIAL RETURNS, only 14.7 % of the respondents exhibit the leftmost benchmark value, indicating that if offered an alternative investment with equal financial returns and risk, they would have been indifferent as to which investment to choose. The rest, 85.3 %, exhibited more or less strong determination to invest in the invested company’s stock, beyond its expected financial returns/risk. In a similar vein, only 16.7 % of the respondents exhibit the leftmost benchmark value on PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS, indicating that even a minimal increase in risk-free financial returns offered from another company’s stock would have made them switch investments. The rest, 83.3 %, exhibited preparedness to invest in the invested company’s stock with more or less lower financial returns offered than from another, comparison company.

FIGURE 1. Descriptive frequencies: Dependent variable DETERMINATION TO INVEST WHEN EQUAL FINANCIAL RETURNS.

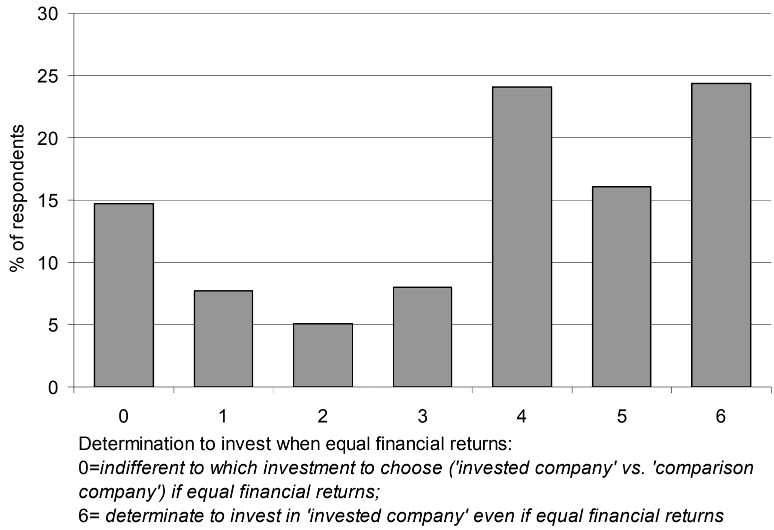
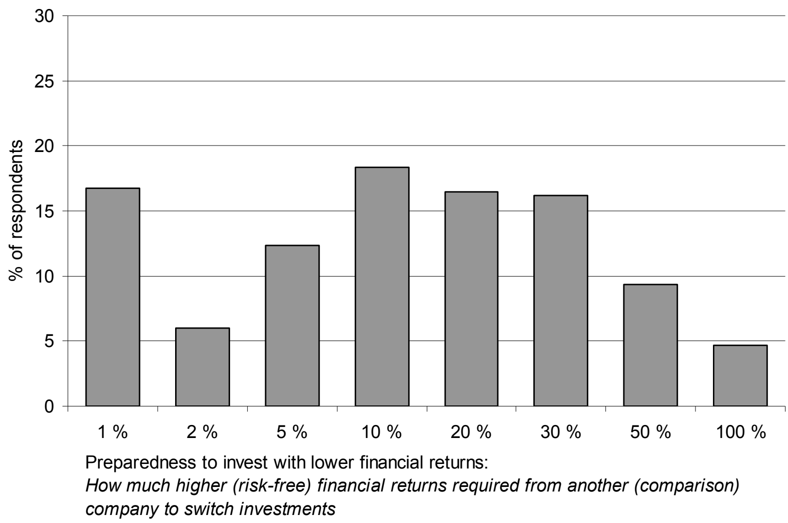


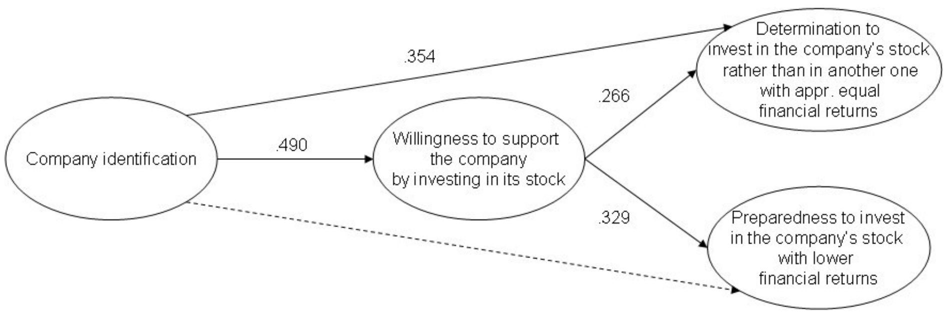
FIGURE 2. Descriptive frequencies: Dependent variable PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS.



Tests of Hypotheses

We list the path coefficients and t-values in Appendix 1. Figure 3 presents the final model with significant paths noted. The model explains 26.6 % of DETERMINATION TO INVEST WHEN EQUAL FINANCIAL RETURNS and 30.9 % of PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS, respectively. Of the mediating variable WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING, in turn, the model explains 11.6 %. COMPANY IDENTIFICATION has significant (p <.05), direct and/or indirect effects on both the dependent variables, in support of our hypotheses. In addition, all significant parameters are in the proposed directions, providing general support for our hypotheses.

FIGURE 3. Simplified structural model of the impact of company identification on an individual's willingness to invest in the company, beyond financial returns/risk.



We find, first of all, a significant (p<.05) direct path from COMPANY IDENTIFICATION to the dependent variable DETERMINATION TO INVEST WHEN EQUAL FINANCIAL RETURNS, with positive correlation. This suggests, as we propose in hypothesis H1 that an increase in the degree of identification with a company increases individuals' willingness to invest in the company beyond financial returns: specifically, their determination to invest in the company's stock rather than other stocks that have approximately similar expected financial returns/risks.

While the direct path from COMPANY IDENTIFICATION to the other dependent variable, PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS, is non-significant, we find significant indirect paths with positive effects (p <.05) from COMPANY IDENTIFICATION to both DETERMINATION TO INVEST WHEN EQUAL FINANCIAL RETURNS as well as PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS. The indirect paths are channeled through the mediating variable WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING. That is, company identification increases individuals' (conscious) willingness to support the company by investing in its stock, which, in turn, raises their determination to invest in the company's stock rather than in another company's stock as well as their preparedness to invest in the company's stock with lower financial returns expected from the stock than from another company. In other words, willingness to support the company by investing in its stock *partially* mediates the positive effect of company identification on determination to invest in the company's stock rather than other stocks with approximately similar expected financial returns, while *fully* mediating the positive effect of company identification on preparedness to invest in the company's stock with lower financial returns. Thus, both hypothesis 1 and 2 receive support, when it comes to indirect effect by company identification on willingness to invest in the company beyond expected financial returns through willingness to support the company by investing in its stock.

Note that the directions and significances of the focal parameters reported above are evident in the model where CORPORATE BRAND AWARENESS is included as a control variable. This being the case, it seems to be established that the positive effect of an individual's identification with a company on his/her preference to invest the company's stock is not due to the individual's greater familiarity with the company (cf. Frieder & Subrahmanyam 2005). With regard to the independent effect of the control variable, the direct path from CORPORATE BRAND AWARENESS to DETERMINATION TO INVEST WHEN EQUAL FINANCIAL RETURNS as well as WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING are non-significant, whereas the direct path to PREPAREDNESS TO INVEST WITH

LOWER FINANCIAL RETURNS has a small, negative coefficient that is significant. This finding may be due the possibility that individuals do not want their mere high familiarity with a company be exploited in the form of lower offered financial returns.

Examining the dummy company variables, we find that some of these variables have direct and/or moderating effects on the dependent variables and the relationships between COMPANY IDENTIFICATION and the dependent variables. This indicates that there are likely to be certain company- and/or industry-specific factors unidentified in our model that additionally explain some of individuals' extra willingness to invest in companies' stocks beyond financial returns, as well as strengthen or weaken the impact of company identification thereon. As an example, there is a significant negative path from the invested company being F to PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS. This finding might result from respondents' overall determination to invest in that company's stock beyond its financial returns being at lower level compared to the rest of the companies. As another example, the invested company being B is found to have significant, positive moderating effect on the relationship between COMPANY IDENTIFICATION and PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS. This finding may result from the fact that possible company identification with that company had more substantial effect on a respondent's preparedness to invest in the company's stock with lower financial returns than was the case with other companies. The finding might result from the possibility that the respondents' overall identification with the company being at relatively low level.

Discussion

Despite the increasing interest by marketing researchers in individuals' identification with corporations and the possible influence of such identification on their various stakeholder behaviors, including investments (e.g. Aspara et al. 2008; Scott & Lane 2000), there has been lack of closer examinations of the ways of such influence. Our study makes a contribution by explicating and finding evidence of two ways in which an individual's identification with a company may influence his/her decisions to invest in the company's stocks. Firstly, company identification is found to have positive impact on the individual's determination to invest in the company's stock rather than other companies' stocks that have approximately similar expected financial returns/risks. Secondly, company identification is found elicit preparedness to invest in the company's stock with lower financial returns expected from the stock than from another company. Both influences are partially or fully mediated by the individual's willingness to support a company which he/she identifies with by investing in its stock. This is in line with the suggestion that the degree of identification with a company is related to the degree to which an individual will give preferential and supportive treatment to the thing, actively seek to increase its welfare, and/or cooperatively give more of his/her scarce resources to it (Bhattacharya & Sen 2003; Dukerich et al. 2002; Scott & Lane 2000).

To marketing research and, particularly, corporate marketing, corporate branding, and corporate identity research (Balmer & Gray 2003; Brown et al. 2006; Hatch & Schultz 2003; Hatch & Schultz 2003; Melewar & Karaosmanoglu 2006), our study contributes by providing empirical evidence that supports the suggestion that a company can and should systematically manage its corporate identity or brand, as this can come to considerably attract external constituencies, such as investors. Specifically, our findings imply that individuals who identify with a company are more willing to invest in the company than others, even beyond the expected financial returns. This implication makes individuals who identify with the company potentially worthwhile targets when the company seeks to attract new investors, e.g., in order to raise capital or to widen its shareholder base and enhance market valuation. It also highlights the importance of coming up with means of identification management beyond the company's customers and employees (cf. Cardador & Pratt 2006), among individuals who may potentially act as investors for the company.

Finally, it should be noted that our research is a fundamental step into the direction of bringing marketing and consumer views, theories, and techniques closer to the realm of finance. This is what researchers in both finance (Clark-Murphy & Soutar 2005; Fama & French 2004; Statman 2004) and marketing (Lovett & MacDonald 2005; Schoenbachler et al. 2004) have increasingly called for recently. We encourage further research and applications in this important area to be conducted both in academia and managerial practice.

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APPENDIX 1. Impact of company identification on willingness to invest in the company's stock, beyond its financial returns.

	Path coefficient	t-value
Direct paths, main variables		
COMPANY IDENTIFICATION -> DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	0,3538	2,4082**
COMPANY IDENTIFICATION -> PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	-0,0774	0,7311
Direct paths, control variables		
FAMILIARITY WITH CORPORATION -> DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	0,0289	0,6344
FAMILIARITY WITH CORPORATION -> PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	-0,1279	2,1254*
DUMMY: INVESTED COMPANY F -> DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	-0,2744	1,3257
DUMMY: INVESTED COMPANY A -> DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	0,0798	0,9843
DUMMY: INVESTED COMPANY B -> DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	-0,3123	2,0744*
DUMMY: COMPARISON COMPANY N -> DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	0,1772	1,2707
DUMMY: COMPARISON COMPANY M -> DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	-0,0196	0,2774
DUMMY: COMPARISON COMPANY T -> DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	0,0525	0,3796
DUMMY: INVESTED COMPANY F -> PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	-0,7141	2,6195**
DUMMY: INVESTED COMPANY A -> PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	0,1057	1,3052
DUMMY: INVESTED COMPANY B -> PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	-0,2179	1,3842
DUMMY: COMPARISON COMPANY N -> PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	0,0520	0,3897
DUMMY: COMPARISON COMPANY M -> PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	-0,3336	3,0645**
DUMMY: COMPARISON COMPANY T -> PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	0,2331	1,3346
Direct paths, moderator variables		
DUMMY: INVESTED COMPANY F X COMPANY IDENTIFICATION -> DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	-0,2896	1,4930
DUMMY: INVESTED COMPANY A X COMPANY IDENTIFICATION -> DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	-0,0304	0,7440
DUMMY: INVESTED COMPANY B X COMPANY IDENTIFICATION -> DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	-0,1998	1,7612
DUMMY: COMPARISON COMPANY N X COMPANY IDENTIFICATION -> DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	0,2110	1,6119
DUMMY: COMPARISON COMPANY M X COMPANY IDENTIFICATION -> DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	-0,0225	0,3929

Dummy: comparison company t X Company identification -> Determination to invest when equal financial expectations	0,2104	1,3177
Dummy: invested company f X Company identification -> Preparedness to invest with lower financial returns	0,5952	2,9537**
Dummy: invested company a X Company identification -> Preparedness to invest with lower financial returns	-0,0499	1,1216
Dummy: invested company b X Company identification -> Preparedness to invest with lower financial returns	0,4168	3,2071**
Dummy: comparison company n X Company identification -> Preparedness to invest with lower financial returns	-0,2278	1,9320
Dummy: comparison company m X Company identification -> Preparedness to invest with lower financial returns	0,2463	2,9788**
Dummy: comparison company t X Company identification -> Preparedness to invest with lower financial returns	-0,3527	2,2159*
Indirect paths, main variables		
Company identification -> Willingness to support the company by investing	0,4900	2,9266**
Willingness to support the company by investing -> Determination to invest when equal financial expectations	0,2663	2,3903*
Willingness to support the company by investing -> Preparedness to invest with lower financial returns	0,3290	3,1118**
Indirect paths, control variables		
Familiarity with corporation -> Willingness to support the company by investing	-0,1104	1,7311
Dummy: invested company f -> Willingness to support the company by investing	0,0088	0,0835
Dummy: invested company a -> Willingness to support the company by investing	-0,1276	2,0854*
Dummy: invested company b -> Willingness to support the company by investing	0,0102	0,2142
Dummy: comparison company n -> Willingness to support the company by investing	0,0183	0,2617
Dummy: comparison company m -> Willingness to support the company by investing	0,0070	0,1724
Dummy: comparison company t -> Willingness to support the company by investing	0,1481	1,2955
Indirect paths, moderator variables		
Dummy: invested company f X Company identification -> Willingness to support the company by investing	0,1163	0,6620
Dummy: invested company a X Company identification -> Willingness to support the company by investing	0,0439	0,7975
Dummy: invested company b X Company identification -> Willingness to support the company by investing	-0,0226	0,3425
Dummy: comparison company n X Company identification -> Willingness to support the company by investing	-0,1644	1,3787
Dummy: comparison company m X Company identification -> Willingness to support the company by investing	-0,2215	2,4543*
Dummy: comparison company t X Company identification -> Willingness to support the company by investing	-0,3532	1,6999
Dummy: invested company f X Willingness to support the company by investing -> Determination to invest when equal financial expectations	0,4587	1,7411

Dummy: invested company a X Willingness to support the company by investing -> Determination to invest when equal financial expectations	-0,0667	0,9577
Dummy: invested company b X Willingness to support the company by investing -> Determination to invest when equal financial expectations	0,4410	2,6901**
Dummy: comparison company n X Willingness to support the company by investing -> Determination to invest when equal financial expectations	-0,3539	1,9588
Dummy: comparison company m X Willingness to support the company by investing -> Determination to invest when equal financial expectations	0,0192	0,3107
Dummy: comparison company t X Willingness to support the company by investing -> Determination to invest when equal financial expectations	-0,2194	1,2201
Dummy: invested company f X Willingness to support the company by investing -> Preparedness to invest with lower financial returns	0,2001	0,8332
Dummy: invested company a X Willingness to support the company by investing -> Preparedness to invest with lower financial returns	-0,1753	2,1049*
Dummy: invested company b X Willingness to support the company by investing -> Preparedness to invest with lower financial returns	-0,1242	0,8160
Dummy: comparison company n X Willingness to support the company by investing -> Preparedness to invest with lower financial returns	0,1101	0,7049
Dummy: comparison company m X Willingness to support the company by investing -> Preparedness to invest with lower financial returns	0,0947	1,2341
Dummy: comparison company t X Willingness to support the company by investing -> Preparedness to invest with lower financial returns	0,0039	0,0244

*p < .05 (two-sided).
**p < .01 (two-sided).
Notes: The t-values were calculated through a bootstrapping routine with 358 cases and 500 samples

Matti Tuominen, Matti Jaakkola, Arto Rajala and Sami Kajalo

ORGANIZATIONAL ORIENTATION IN STRATEGY INTERFACE

Abstract

Several scholars have argued that building knowledge of why some firms outperform others is the cornerstone of the strategic marketing research. Therefore, we formulate a model to discover the impacts of organizational orientation and business strategy on firm economic performance in the context of developed and developing market economies. The data consists of 5055 responses to a survey of small, medium-sized and large firms representing business products, consumer products, business services, and consumer services. Our key findings imply several alternative orientation-strategy-performance paths in the context discovered. We discuss the results for practice and further research.

Keywords: Organizational Orientation, Business Strategy, Economic Performance, Global Competition

Matti Tuominen, Matti Jaakkola, Arto Rajala and Sami Kajalo, Helsinki School of Economics, Department of Marketing and Management, P.O. Box 1210, 00101 Helsinki, Finland.

Introduction

A firm's idiosyncratic resources and organizational capabilities can greatly influence the management's 'vision' of the future (Boulding 1956) and consequently can serve as cognitive drivers of future business strategy via resource learning (Kor et al. 2007; Kabanoff & Brown 2008). Resources are the stock, while learning constitutes the flows, of a firm's combinative capabilities (Dierickx & Cool 1989). Contemporary resource based theory (RBV) addresses the business conditions under which resources can yield differential long-run economic performance advantages. Specifically, resources yield superior economic performance if they are valuable, rare, imperfectly imitated and non-substitutable (Barney 1991). Thus, firm economic performance is determined, at least in part, by how effectively and efficiently the firm's business strategy is implemented (Walker & Ruekert 1987). Some scholars suggest that differences in market environments influence the type of the strategy that firms adopt, which in turn affects organizational resources and performance outcomes (Desarbo et al. 2005). The process of implementing business strategies addresses how firm resources are accomplished (Walker & Ruekert 1987). How well these resources are accomplished is influenced by the specific behaviours the firm undertakes regarding diverse organizational orientations, like market orientation, learning orientation, innovation orientation, and shareholder orientation (Day & Nedungadi 1994; Greenley et al. 2005; Menguc & Auh 2006). The ultimate objective of each of these organizational orientations is to create superior value for the firm and its stakeholders. Although these influences on firm performance outcomes have been examined in isolation, they have not been studied in an integrated model of business strategy implementation (Olson et al. 2005; Kabanoff & Brown 2008). An optimal approach should be one that explicitly accounts firm resources, strategy, and environmental attributes (Desarbo et al. 2005).

This study represents a contribution to the understanding of business strategy development and implementation in several ways. While an expanded hybrid business strategy typology is deployed as the foundation for our research, we develop an orientation-strategy-performance model to provide insights into the specific characteristics of distinct organizational orientations that are important to the successful implementation of each strategy type. We loosely follow Matsuno and Mentzer (2000), Olson et al. (2005), and Desarbo et al. (2005) in framing our model. Our model focuses on the interplay of diverse organizational orientations (market orientation, learning orientation, innovation orientation, and shareholder orientation), business strategy types (prospectors, differentiation focused defenders, and low cost defenders), and firm economic performance. We define economic performance with two interrelated elements: market performance, and financial performance (Clark 1999). Hence, our study aims to discover the consequences of the preceding interplay across firms operating either on developed or developing markets and representing manufacturers, intermediaries, and retailers in the field of both consumer and business products and services.

The empirical study, conducted as a survey in 5055 firms, provides support for our developed model and the related hypotheses. We tested our hypotheses by deploying confirmatory factor analyses and structural equation modelling. Overall, the results suggest that both organizational orientation and business strategy play a positive and significant role in increasing firm economic value and performance.

The paper is structured as follows. After this introductory section, we offer a literature review on the theoretical foundation of organizational orientation and business strategy. Moreover, we formulate the conceptual model and derive the related hypotheses from the extant literature. Thereafter, we present our research design, measures, data analysis and the key results. Finally, we conclude the paper by discussing the implications derived from our study.

Theoretical Foundation: Organizational Orientation and Business Strategy

We examine organizational orientations that have the potential to create superior value and performance in the context of the business strategy adopted (Olson et al. 2005). Organizational orientations can be defined as complex bundles of skills and knowledge that enable firms to coordinate activities to make use of their resources (Hult et al. 2007). Drawing on the RBV, organizational orientation is conceptualized as an unobservable latent or second-order construct that is reflected in four orientations - market orientation (Narver and Slater 1990), learning orientation (Slater & Narver 1995), innovation orientation (Hurley & Hult 1998), and shareholder orientation (Greenley et al. 2005; Yau et al. 2007) – affecting firm economic performance. Organizational orientation is essentially an intangible resource (Desarbo et al. 2005) providing a pattern of shared values and beliefs within an organization (Day & Nedungadi 1994). Firm intangibles are hard for rivals to imitate, which makes them a source of superior performance advantages (Kaplan and Norton 2004).

Within the RBV, *market orientation* emphasizes the ability to process market intelligence from customers and competitors (Day 1994). Current discussion of market orientation emphasizes the awareness of and responsiveness to environmental influences, as well as, an ability to learn about customers and competitors in order to continuously sense and to act on events and trends in present and prospective markets (Han et al. 1998; Slater and Narver 2000). Actually, market orientation is an intangible resource as such, spanning a set of functional activities, like inter-firm and intra-firm collaboration to create performance advantages (Matsuno et al 2004; Menguc & Auh 2006). Learning, in turn, is pre-eminent over other resources because it enables firms to maintain performance advantages by continually improving market information-processing activities faster than competitors (Hurley & Hult 1998). Thus, *learning orientation* is defined as the development of new knowledge or insights that have the potential to influence behaviour through its values and beliefs within the culture of an organization (Slater & Narver 1995). Learning orientation is considered necessary for continued innovation and performance advantages because the outcome of learning should be enhanced capabilities for adapting to environmental change, through proactive decision making that results in competitive advantages (Sinkula et al. 1997; Calantone et al. 2002). Following this reasoning, *innovation orientation* is an intangible (Hult et al. 2004) conceptualized as a set of understandings about innovation built into the fabric of a firm's learning based knowledge structure that influences organizational activities (Siguaw et al. 2006). Innovation orientation is a learning philosophy in which firms have common standards and beliefs about learning and knowledge that pervade and guide all functional areas toward innovation in both its technological and managerial domains (Olson et al. 2005). Finally, *shareholder orientation* pertains to both the equity and risk stakes (Mitchell et al. 1997). In terms of the equity stake, shareholders have a legitimate relationship with the firm and may choose to monitor its economic performance as to protect their interests or benefits, while in terms of risk stake, shareholders are investors looking for short- or long-term returns (Yau et al. 2007). As such, a shareholder orientation represents how willing the top management is to take care of the interest of shareholders. This orientation emphasizes the priority and dominance of the shareholders at the expense of other key stakeholders (Greenley et al. 2005).

Strategic archetypes of Miles and Snow (1978), and Porter (1980), and the hybrid approach developed by Walker and Ruekert (1987) provide useful frameworks for analyzing the ways in which organizations deploy their intangible resources and the subsequent strategies they adopt. The Miles and Snow (1978) typology has been extensively applied in the strategy literature by deploying mainly a paragraph approach with four categories (e.g. Matsuno & Mentzer 2000; Vorhies & Morgan 2003; Desarbo et al. 2005; Olson et al. 2005; Kabanoff & Brown 2008). However, a number of scholars (e.g. Conant et al. 1990; Slater & Narver 1993) have called for the need to further validate and test the underlying assumptions of these archetypes. Hence, deeper empirical research into the relationships between firm resources, strategy types, and performance outcomes in the context of environmental attributes is warranted.

Walker and Ruekert (1987) combined the strategy archetypes of Porter (1980) and Miles and Snow (1978) to develop a hybrid typology which defines business strategies in terms of two major dimensions: (1) the firm's desired rate of new product-market development, and (2) the firm's intended method of competing in its core business or established product markets (either through maintaining a low cost position or by differentiating itself by offering higher quality or better service). The former is consistent with the prospector, analyzer, and defender categories of the Miles and Snow (1978) typology, while the latter describes the intended method of competing following the cost leadership or differentiation strategy proposed by Porter (1980). Walker and Ruekert (1987) emphasize, however, that analyzer strategies are problematic because they are essentially an intermediate type between the prospector strategy at the one extreme and the defender strategies on the other.

Parallel with the preceding, we rely on the hybrid approach and the identified strategy types are relabelled as follows: prospectors, differentiation-focused defenders, and low cost defenders. The key to success for *prospectors* is the development of innovative new products and entry into new markets (Matsuno & Mentzer 2000; Vorhies & Morgan 2003). Prospectors lead change in their industries, and they have been associated with competitive superiority due to the "step-ahead" tactics pursued and the market leadership characteristics adopted (Morgan et al. 2003). While *differentiation-focused defenders* attempt to maintain a relatively stable and narrow market domain by providing consistently superior service and/or product quality their prices are often higher than the industry average, and a good performance in the industry depends on an ability to maintain their eminence aggressively within a well-defined market segment (Olson et al. 2005). Thus, the most successful differentiation-focused defenders will place a great emphasis on market-oriented behaviours (Slater et al. 2006). On the contrary, *low cost defenders* seem to pay attention to maintain their share through low cost in narrowly defined market segments (Olson *et al.* 2005). They attempt to maintain a relatively stable domain by producing goods or services as efficiently as possible (Slater et al. 2006). Walker & Ruekert (1987) predicted that process engineering, production, distribution, and finance (rather than marketing) constitute the dominant functions within low-cost defender firms.

Despite of the recent attempts in this field of research, there is no unambiguous view on the effects of different strategy types on firm performance advantages (Desarbo et al. 2005) and, thus, more work is needed on this phenomenon.

Conceptual Model and Hypotheses

In this study, we examine the consequences of organizational orientation and business strategy on economic performance. Consequently, our conceptual model is intended to explain firm *market performance* (sales volume and market share) and *financial performance* (profit levels, profit margins, and return on investment), and it consists of the following elements and their interrelationships: organizational orientation manifested in market orientation, learning orientation, innovation orientation, and shareholder orientation, and business strategy composed of three first-order indicators in terms of prospectors, differentiation-focused defenders, and low cost defenders..

As stated, prospectors are the most entrepreneurial of the strategy types in that their primary orientation is focused on exploiting new product and market opportunities (Miles & Snow 1978). They tend to compete by anticipating new product or marketplace opportunities through innovation and evaluate themselves in terms of external effectiveness and aggressive growth in the chosen market (Vorhies & Morgan 2003). Prospectors have the highest levels of innovation orientation and market orientation of the strategy types concerned (Olson et al. 2005). In the case of differentiation-focused defenders, the need to provide innovative, high-quality product and service offerings, extensive scanning with the limited domain is important to maintain performance advantages (Slater et al. 2006). Thus, the most successful differentiation-focused defenders will place a great emphasis on learning- and market-oriented behaviours. Finally, low cost defenders attempt to maintain a relatively stable domain by producing goods or services as efficiently as possible and offering them at low prices (Walker & Ruekert 1987). Based on learning and economies of scale, these firms have narrow and less technically sophisticated product lines than the rival firms, and successful low cost defenders emphasize shareholders and engage in comparatively low levels of market-oriented activities (Slater & Olson 2000). More generally, defenders combine a low level of external scanning with an internal focus on efficiency, while prospectors attend to a broader, more dynamic domain externally and combine this with a focus on process flexibility internally (Kabanoff & Brown 2008). Parallel with the preceding reasoning, we hypothesize that:

$H_{1a, 1b}$: Market orientation is positively related both to prospectors (**H_{1a}**) and differentiation-focused defenders (**H_{1b}**).

$H_{2a, 2b}$: Learning orientation is positively related both to differentiation-focused defenders (**H_{2a}**) and low cost defenders (**H_{2b}**).

$H_{3a, 3b}$: Innovation orientation is positively related both to prospectors (**H_{3a}**) and differentiation-focused defenders (**H_{3b}**).

H_4: Shareholder orientation is positively related to low cost defenders.

The literature reviewed suggests the existence of the impact of adopted business strategy on firm economic performance (e.g. Matsuno & Mentzer 2000; Vorhies & Morgan 2003; Desarbo et al. 2005; Olson et al. 2005). The central logic or rationale behind these arguments is a particular strategy and its implementation, which is essentially a process of organizational adaptation to the prevailing market conditions (Miles and Snow 1978). Contingency theory posits that for each strategy type there exists a configuration of organizational characteristics that fits best to strategy to yield superior performance (Slater et al. 2006). Due to firms' different resources in this respect, they also differ in their strategic paths (Teece et al. 1997). Hambrick (1983) found that proactive strategies outperform defensive strategies in terms of sales volume and market share, while defensive strategies have proven more effective in terms of profitability. Analogously, being a prospector hurts return on investment but helps market share change and growth in innovative industries (Kabanoff & Brown 2008), whereas, in relatively stable industries, being a low cost defender protects internal efficiency, and, in the case of a differentiation-focused defender, enhances external effectiveness (Slater & Olson 2000). Thus, it is hypothesized that:

H_5: Prospectors have a positive relationship with market performance.

H_6: Differentiation focused defenders have a positive relationship with market performance.

H_7: Low cost defenders have a positive relationship with financial performance

Moreover, we claim that market performance interacts with financial performance (Clark 1999). In formal terms, it is hypothesized that:

H_8: Market performance is positively related to financial performance.

In our conceptual model, we forward the premise that organizational orientation and business strategy have a significant impact on firm economic performance. However, the magnitude of the orientation-strategy-performance relationship may also be country specific because of differences in market environments (Desarbo et al. 2005). We focus on one dimension that is especially relevant to the RBV: competitiveness of nations in global rivalry. Hence, national prosperity is strongly affected by competitiveness, which is the productivity with which a nation uses its human, capital, and natural resources (Porter, 2003). Therefore, we hypothesize the following:

H_9: The orientation-strategy-performance profiles are different across firms operating either on developed markets or developing markets.

Some scholars (e.g. Zou & Cavusgil 2002) argue that local demand conditions are irrelevant in a global economy because nations have access to global market. In the dynamic cluster-based view of economic development, however, the local market remains important, and we need data to confirm this view.

Research Design

To test the generic nature of our model, an empirical study was conducted deploying mailed questionnaires. The study involved three main phases. First, in-depth interviews were conducted with senior marketing executives in 24 organizations to identify the constructs concerned. The item pool was further refined through expert opinion of marketing scholars in a number of European countries (e.g. the UK, Ireland, and Austria). Thereafter, the questionnaire was developed and piloted. Finally, a representative mailed survey was undertaken.

Our survey was carried out in 2001-2004 (coordinated by Aston Business School, UK). Following the SIC (Dun & Bradstreet), our sample covered small (20-99 employees), medium (100-499 employees) and large (500 or more employees) firms representing business products, consumer products, business services and consumer services. The sampling frame was supplied by national research institutes in each country involved. Informants (chief marketing executives) were mailed a copy of the questionnaire along with a personalized instruction letter and return envelope. In total, 5055 usable responses were received: Australia$_{(250)}$, Austria$_{(249)}$, Finland$_{(327)}$, Germany$_{(400)}$, Greece$_{(326)}$, Hong Kong$_{(552)}$, Ireland$_{(657)}$, Mainland China$_{(400)}$, the Netherlands$_{(176)}$, New Zealand$_{(472)}$, Slovenia$_{(759)}$, and the UK$_{(487)}$, and a response rate over 20%. Given the length of the survey instrument (8 pages) and the seniority of the managers targeted, the response rate was satisfactory. No significant differences in means were found between early and late respondents on the scales studied (*t*-tests at .05 level), indicating that non-response bias is unlikely to be a problem (Armstrong & Overton 1977).

Measures

The measures of organizational orientation, business strategy and firm economic performance were drawn from existing scales or developed for the research questions at hand. Some measurements comprised new items and were initially developed by identifying and creating questions on the basis of the literature review, expert opinions, and field-based interviews. Following the analysis of the pilot data, the seminal questionnaire was further refined. All items were measured on a seven or five point advantage scale. A complete list of items in each scale is presented in TABLE 1.

The final questionnaire deployed a 24-item set of organizational orientation variables modified from existing scales: *market orientation* (Narver & Slater 1990), *learning orientation* (Sinkula et al. 1997), *innovation orientation* (Hurley & Hult 1998), and *shareholder orientation* (Greenley et al. 2005).

TABLE 1. Survey Items Used to Measure Constructs and Scaling

Market orientation[a]	1. Our commitment to serving customers is closely monitored 2. Objectives and strategies are driven by creation of customer satisfaction 3. Competitive strategies are based on understanding customer needs 4. Business functions are integrated to serve market needs 5. Strategies are driven by increasing value for customers 6. Management regularly discuss competitors' strengths and weaknesses 7. Close attention is given to after sales service 8. Managers understand how employees can contribute to value for customers 9. We achieve rapid response to competitive action
Shareholder orientation[b]	1. We regularly compare our share value to that of our competitors 2. We regularly carry out public relations aimed at shareholders 3. Designated managers have responsibility for aiming to satisfy shareholders' interests 4. We have regular staff appraisals in which we discuss shareholders needs 5. Senior managers have regular meetings with shareholders
Innovation orientation[b]	1. We are more innovative than our competitors in deciding what methods to use in achieving our targets and objectives 2. We are more innovative than our competitors in initiating new procedures and systems 3. We are more innovative than our competitors in developing new ways of achieving our targets and objectives 4. We are more innovative than our competitors in initiating changes in the job contents and work methods of our staff
Learning orientation[b]	1. We have regular staff appraisals in which we discuss employees needs 2. We have regular staff meetings with employees 3. As a manager I try to find out the true feelings of my staff about their jobs 4. We survey staff at least once each year to asses their attitudes to their work 5. Employee training and learning is seen as an investment rather than an expense 6. The underlying values of our company include learning as a key to improvement
Prospectors[b]	1. We seek to attack the whole market 2. Our objectives are to achieve aggressive sales growth to dominate our market
Differentiation-focused defenders[b]	1. We target selected market segments within the total market 2. We seek to serve selected individual customers within the total market
Low cost defenders[b]	1. Our main strategic priority over the last few years has been to survive 2. Our main focus has been on cost reduction and efficiency gains
Financial performance[c]	1. Overall profit levels achieved compared to competitors 2. Profit margins compared to competitors 3. Return on investment compared to competitors
Market performance[c]	1. Sales volume compared to competitors 2. Market share compared to competitors

[a] The response options ranged from 1, "not at all," to 7, "to an extreme extent."
[b] The response options ranged from 1, "strongly disagree," to 5, "strongly agree."
[c] The response options ranged from 1, "much worse," to 5, "much better."

As far as the measures of the strategic archetypes are concerned, the most applied is a self-typing paragraph approach with a categorical (nominal) scale (e.g. Matsuno & Mentzer 2000; Olson et al. 2005; Slater et al. 2006). However, this kind of pure abstractions and ‘compelling’ to enter a multi-item construct by selecting just one alternative have been criticised (e.g. Desarbo et al. 2005). Drawing parallel with the hybrid approach of Walker and Ruekert (1987), we employed a six-item scale to assess the characteristics of the three business strategy types: *prospectors, differentiation focused defenders*, and *low cost defenders*. Besides, our survey deployed a five-item economic performance scale, hypothesized as two constituents (Clark 1999): one set for *market performance* (sales volume and market share), while the other for *financial performance* (overall profit levels and margins, and return on investment).

Analysis and Results

Confirmatory factor analysis (CFA) was used for scale validation. To evaluate the fit of the measurement model, several goodness-of-fit indicators were used: the chi-square statistic ($\chi 2$), root mean square error of approximation (RMSEA), goodness of fit index (GFI), non-normed fit index (NNFI), and comparative fit index (CFI). The fit indexes presented in **TABLE 2** indicate that the measures were acceptable.

TABLE 2. Fit Indexes for Measurement Model and Structural Model

Model	χ^2 *(df)*	*RMSEA*	*GFI*	*NNFI*	*CFI*
Measurement model (CFA)	8037.67 (524) Significance=.000	0.053	0.92	0.94	0.95
Structural model	8880.46 (543) Significance .120	0.055	0.91	0.94	0.95

RMSEA: root mean square error of approximation, GFI: goodness of fit index, NNFI: non-normed fit index, CFI: comparative fit index.

Thereafter, our hypotheses were tested simultaneously using structural equation modelling (SEM) via LISREL 8.72 (Jöreskog & Sörbom 2005). Modelling was undertaken by deploying covariance matrix and the maximum likelihood estimation procedure. **TABLE 2** shows the fit for the structural model and results of the chi-square statistic imply that the model fit is adequate.

The root mean square error of approximation (RMSEA) is generally regarded as the most informative fit index: values less than .05 are indicative of good fit, and those between .05 and .08 of reasonable fit. The goodness of fit index (GFI) is an absolute fit index, so that it assesses how well the covariances predicted from the parameter estimates reproduce the sample covariances, and values greater than .90 reflect acceptable fit. The last two fit measures are relative fit indices that indicate how much better the model fits compared to a baseline model, usually the independence model. Values of non-normed fit index (NNFI), and comparative fit index (CFI) range from 0 to 1 (with the exception that NNFI can have values greater than 1), and values close to 1 indicate a good fit (Diamantopoulos & Siguaw 2000).

The means and standard deviations for the scales, together with reliability measures and correlation matrix, are shown in **TABLE 3**. In order to assess the reliability of the latent variables, composite reliability values (ρ_c) for each latent variable were calculated following the general instructions (e.g. Diamantopoulos & Siguaw 2000). Most composite reliability values are greater than .60 which is the generally recommended threshold level. A complementary measure to composite reliability is the average variance extracted (ρ_v), which shows directly the amount of variance that is captured by the construct in relation to the variance due to measurement error.

TABLE 3. The Scale Means, Standard Deviations, Reliability and Correlation Matrix

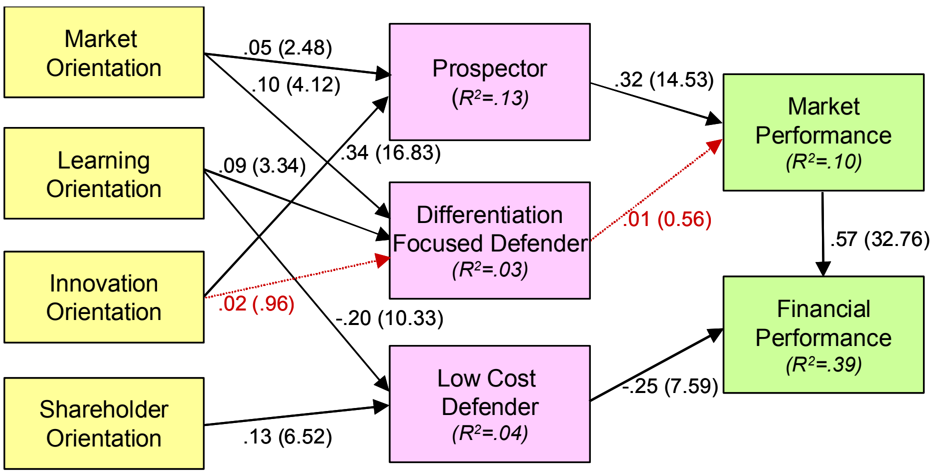
Constructs	*Mean*	*S.D.*	ρ_c	ρ_v	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*
1. Market orientation	4.84	0.93	0.87	0.42	1.00								
2. Shareholder orientation	3.06	0.87	0.76	0.40	0.22	1.00							
3. Innovation orientation	3.54	0.79	0.89	0.68	0.39	0.18	1.00						
4. Learning orientation	3.90	0.68	0.80	0.40	0.54	0.31	0.46	1.00					
5. Prospectors	2.91	0.98	0.65	0.48	0.16	0.21	0.32	0.14	1.00				
6. Diff.-focused defenders	3.66	0.88	0.56	0.39	0.16	0.03	0.11	0.16	0.07	1.00			
7. Low-cost defenders	3.17	0.92	0.54	0.41	0.09	0.07	0.16	0.15	0.06	0.11	1.00		
8. Financial performance	3.40	0.84	0.86	0.67	0.20	0.06	0.28	0.15	0.16	0.02	0.38	1.00	
9. Market performance	3.42	0.84	0.79	0.66	0.22	0.08	0.32	0.20	0.27	0.03	0.33	0.62	1.00

S.D.: standard deviation, ρ_c: composite reliability, ρ_V: average variance extracted.

TABLE 3 shows that more than half of the constructs have values below the recommended level of .50. Since the lowest values for the average variance extracted are around .40, we nevertheless consider the reliability of the scales to be adequate, especially as the composite reliability measures are reasonably good. Moreover, the items were drawn from existing scales and the correlations between the scales are not excessively high. The results, however, provide a concrete reminder of the challenges in modelling multifaceted phenomena.

FIGURE 1 shows the final structural model with standardized path estimates and t-values. Only two of the estimates were statistically insignificant at the p<.05 confidence level.

FIGURE 1. Structural Equation Model: Standardized Path Estimates.



Significance of the path estimates are shown in parentheses (*t*-value).
Squared multiple correlation $R^2 = 0.39$ (explanatory power of the model).
Model fit: χ^2=8880.46; df=543; *p*=0.000; RMSEA=0.055; GFI=0.91; NNFI=0.94; CFI=0.95.

As predicted, market orientation has a positive path both with prospectors (β=.05) and differentiation-focused defenders (β=.0.10) providing empirical evidence for our hypotheses H_{1a} and H_{1b}. Learning orientation has a positive effect on differentiation-focused defenders (β=.09) supporting our hypothesis H_{2a}, whereas the effect on low-cost defenders is considerably negative (β=-.20) and, thus, hypothesis H_{2b} is rejected. Hypothesis H_{3a} is verified, since innovation orientation has a strong and positive effect on prospectors (β=.34). On the contrary, our hypothesis H_{3b} did not obtained any empirical support, since the relationship between innovation orientation and differentiation-focused defenders (β=.02), is not statistically significant. A positive and significant path exists between shareholder orientation and low cost defenders, providing support to hypothesis H_4. In the context of performance outcomes, prospectors have a positive and significant impact on market performance (β=.32) supporting hypothesis H_5, while hypothesis H_6 is not verified, since the standardized path estimate (β=.01) is not statistically significant. Surprisingly, low cost defenders have a significant path with financial performance, but the association is negative (β=-.25), and, thus, our hypothesis H_7 is rejected. However, our findings indicate a strong and positive link between market performance and financial performance (β=.57) providing empirical evidence for hypothesis H_8.

Subsequently, the inequality of the covariance matrixes between the firm groups operating on developed or developing markets was tested and the results indicated the relevance to continue with the follow-up analysis. A chi-square difference test was used to assess whether the path estimates of the structural models are invariant across the two firm groups. The small *p*-value (χ^2=65.42; df=11; p<.0001) suggests that there are statistically significant differences in the orientation-strategy-performance profiles between the two groups examined, thus, providing support for our hypothesis H_9.

To summarize, we found rather good empirical evidence for majority of the hypotheses stated. The results suggest that especially innovation orientation and prospector type of strategy play a positive and significant role in increasing business performance. We also found strong and positive relationship between market performance and financial performance. Finally, sensitivity in path coefficient between the two market environments was identified.

Discussion and Conclusions

This paper complements previous work on the three major strategic archetypes (Miles &

Snow 1978; Porter 1980; Walker & Ruekert 1987) in the light of recent theoretical discussions as to inclusion of conceptually relevant variables as well as their performance effects. Our theoretical foundation augments the scope of these typologies by developing an integrated conceptual model that specifies the hypothesized paths between multiple organizational orientations, types of business strategy, and firm economic performance in the context of developed and developing market domains. Indeed, our study contributes to the literature on organizational orientation in strategy interface. On the other hand, our study aims to develop fine-grained distinction between prospectors, low cost defenders, and differentiation-focused defenders (as originated by Walker & Ruekert 1987) with multi-item scales developed for this inquiry. We believe that this work may have some important practical implications as well.

The results show a strong and positive link between organizational orientation, business strategy, and performance advantages in terms of market and financial outcomes. We provide empirical evidence for prior demonstrations that firms pursue multiple organizational orientations (Desarbo et al. 2005; Greenley et al. 2005; Menguc & Auh 2006; Hult et al. 2007). Our key findings parallel with the results of recent empirical research in this field (e.g. Desarbo et al. 2005; Kabanoff & Brown 2008). As far as strategic archetypes are concerned, we found that prospector type of strategy strengthens market performance, and, surprisingly, low cost defender type of strategy weakens financial performance. This unexpected finding contradicts the prior research results of Slater and Olson (2000), providing a direction for further research. Finally, significant differences between the orientation-strategy-performance profiles of the two firm groups operating either in developed or developing markets were found. In this respect our findings parallel those few studies carried out in multiple market domains (e.g. Desarbo et al. 2005; Yau et al. 2007).

For scholars, our inquiry provides some new and potentially fruitful avenues for identifying multiple organizational orientations to fit with strategy and environment. Our results demonstrate the utility of using a holistic approach to examine multiple organizational orientations, lending support to our extension of the strategy (strategic archetypes) literature to multiple organizational orientations and reinforcing the augment that multiple organizational orientations should be examined from the RBV (Day 1994; Day and Nedungadi 1994). Moreover, the important role of strategy in our results may shed light on previous research based on industrial organization economics and competitive strategy (Porter 1980).

For managers, our findings highlight the importance of considering environmental conditions and the implementation requirements of their business strategy when the management allocate their multiple organizational orientations. While the prevailing market conditions are changing rapidly, firms are becoming more market-driven, and, thus, intangible resources are more critical. Under highly turbulent technological circumstances, managers can enhance firm innovation orientation and success by emphasizing adaptive abilities in technology searching and monitoring. In other words, it is of critical importance for a company to monitor and adapt to technological shifts since, at least in industrial fields, technology seems to be the primary key driver for turbulence. One foundation for this is changes in managerial mental models (tacit knowledge) putting emphasis on issues such as: how to build and sustain a firm's adaptive ability, and what kind of role knowledge (tacit and explicit) as an asset will have in enhancing organizational innovativeness (innovation orientation). These are the key managerial challenges within our rapidly evolving information era.

Future research could address some of the limitations of our current study. Firstly, our empirical analysis did not consider possible differences in the orientation-strategy-performance conduct regarding the firm size (SMEs vs. large corporations) or the country of origin (comparison by nation). Secondly, with respect to the construct validity, future work is warranted and PLS (Partial Least Squares) technique (e.g. Hulland 1999) can be used to further validate our measures and the path model developed.

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AUTHORS

Leena Aarikka-Stenroos, M.Sc. (Econ.), M.Sc. (Hum.), is Researcher and doctoral candidate at the Department of Marketing, Turku School of Economics. Her research interests include marketing of services and professional services, creating relations and networks in business markets, and references, referrals and reputation. At the moment she is writing her doctoral thesis about creating new business relations in professional services. She has presented and published papers in international business marketing, relationship marketing and marketing communication conferences.

Eeva-Katri Ahola, D.Sc. (Econ.), is currently working as Researcher at Helsinki School of Economics. She also lectures in other universities. Her research interests center on consumer research, experience marketing, marketing communications and art management. At present she is researching trade fairs from cultural perspective.

Kimmo Alajoutsijärvi is Dean of the Faculty of Economics and Business Administration at University of Oulu, Finland. He is also Professor of Marketing. Kimmo's research interests are in business-to-business marketing, strategic management and management education. The research has been published in several international Journals (e.g. Journal of Business to Business Marketing, International Business Review, Industrial Marketing Management). Kimmo has also been active in executive education and management consulting of several international corporations (e.g. Storaenso, UPM-Kymmene, Metso, Skanska).

Mai Anttila is Professor of Marketing at the Helsinki School of Economics. She is also Adjunct Professor of Technology Management at Lappeenranta University of Technology. Her research interests focus on price management, especially consumer price perceptions and service pricing, market-driven innovation management and brand management. She has participated in projects and presented papers in seminars on price management, project management, branding, marketing research methods (especially conjoint analysis), and packaging. She has been Vice President Membership International of Academy of Marketing Science AMS, USA, in 1986-1988 and at present she is member of Executive Committee of European Marketing Academy EMAC in 2005-2008. She was nominated Old Fellow of International Society for Professional Innovation Management ISPIM in 2007. She has published articles in European Journal of Marketing, Journal of Marketing Management, Journal of Product & Brand Management, International Journal of Technology Management, and International Journal of Revenue Management. She has published textbooks with co-authors on marketing and on price management in Finland.

Jaakko Aspara, D.Sc. (Econ.), M.Sc. (Tech.), is Senior Researcher in the field of marketing and is also working as Professor of Sales Management at Helsinki School of Economics. Besides sales management, Aspara’s main research interests include the interface of marketing and finance, corporate-level strategic marketing, branding, and business models, as well as new offering development. Aspara has published in journals such as Academy of Marketing Science Review, Journal of Brand Management, Journal of Customer Behaviour, and Journal of Behavioral Finance, and has currently several articles in review in leading marketing journals.

Kjell Grønhaug is Professor of Business Administration at the Norwegian School of Economics and Business Administration (NHH). He is Adjunct Professor at Helsinki School of Economics, and associated with University of Stavanger and the Institute of Fishery Research, Tromsø. He is also Honorary Doctor at Turku School of Economics, and the recipient of the prize for excellence in research at his own school awarded every fifth year. His publications include 17 authored and co-authored books, and around 200 journal articles, partly published in leading European and American journals. His present research interests relates to cognitive aspects of strategy, creation and use of knowledge, marketing strategies in novel, hi-tech markets and methodological issues. Over the years he has worked closely together with Kristian Möller on a variety of tasks including the offering of multiple doctorial courses.

Christian Grönroos is Professor of Service and Relationship Marketing at Hanken Swedish School of Economics Finland (Svenska handelshögskolan) and Chairman of the board of its research and knowledge centre CERS Centre for Relationship Marketing and Service Management. His research interests relate to relationship marketing and service management and marketing as well as marketing theory. Within these fields he has published numerous books and scientific articles. His most recent books are "Service Management and Marketing", "Customer Management in Service Competition", and "In Search of a New Logic for Marketing: Foundations of Contemporary Theory". He has received international and national awards and prizes, among them the American Marketing Association's Servsig Career Contribution to the Service Discipline award and the Scandinavian Ahlsell Award for research into marketing and distribution as well as the Finnish Pro Oeconomia Prize for best business book. He is Distinguished Member of the Finnish Society of Sciences and Letters.

Aino Halinen is Vice-Rector and Professor of Marketing at the Turku School of Economics in Finland. She has published articles on professional service marketing, relationship marketing, business network dynamics and longitudinal research methodology in acknowledged international books and journals including Journal of Management Studies, Journal of Business Research, Industrial Marketing Management and International Journal of Service Industry Management. Her monograph "Relationship Marketing in Professional Services: A study of Agency-Client Dynamics in the Advertising Sector" was published by Routledge in 1997. Halinen has been an active member of the Industrial Marketing and Purchasing Group since 1989 and serves currently on the editorial board of several international journals including Industrial Marketing Management and International Journal of Service Industry Management. Her current research focuses on relationship and network management. She is one of the key persons in a major research consortium, the ValueNet Research Group, financed by the Academy of Finland. The Group investigates the management and role of value-creating business networks in emergent and transforming industries.

Graham Hooley is Professor of Marketing and Senior Pro-Vice-Chancellor (Deputy Vice Chancellor) at Aston University, UK. He is Fellow of the British Academy of Management (BAM), the Chartered Institute of Marketing (CIM), the European Marketing Academy (EMAC) and the Higher Education Academy (HEA). He is member of the Academy of Marketing Science (AMS), Academy of Marketing (AM), the Korean Academy of Marketing Science (KAMS), and the Australia and New Zealand Marketing Academy (ANZMAC). He is the only UK board member of the European Institute for Advanced Studies in Management (EIASM), was Vice Dean, BAM College of Fellows from 2005-08 and was member of the Academic Senate of the CIM 1996-2002. For ten years he was member of the Executive Committee of EMAC, culminating in President from 2004 to 2006. After graduating in Management Science at Warwick University, Graham worked for Associated Newspapers Group Ltd. in marketing research. Returning to Warwick to undertake a PhD, he then commenced an academic career at Warwick and Bradford Universities and Otago University, New Zealand before being appointed to the Chair in Marketing at Aston In late 1990. He has also taught MBA and executive classes in Netherlands, Hong Kong, Singapore, Philippines, Thailand, Malaysia and Greece. Graham's main research interests are in strategic marketing with particular emphasis on competitive positioning. He has published several books and over 100 papers in academic journals. He has led a number of EU funded projects researching the transition of Central and Eastern Europe from central planning to market economies. With Gordon Greenley he is currently leading a 15 country study "Marketing in the 21st Century". As Senior Pro Vice Chancellor at Aston his portfolio of responsibilities includes: the Library and Information Systems; the Marketing Department (recruitment, communications, careers); the Development and Alumni Relations Office; and the Research Support Office. He also leads the team of Pro Vice Chancellors with responsibilities for Learning & Teaching Innovation; Knowledge Transfer & Business Partnerships; and International Relations.

Matti Jaakkola, M.Sc. (Eng.), is Researcher and doctoral candidate at the Helsinki School of Economics, Department of Marketing and Management. His primary research interests relate to explaining marketing performance of organizations in different business environmental contexts, mainly by organizational orientations and marketing capabilities. His contributions to marketing and strategic management literature are available in several conference proceedings, such as those of European Marketing Academy, American Marketing Association and Industrial Marketing and Purchasing Group.

Annukka Jyrämä, D.Sc. (Econ.), is Adjunct Professor and works as Senior Research Fellow at Helsinki School of Economics. Her current research interests include knowledge creation processes and the role of mediators from institutional and network theory perspectives. She has conducted studies e.g. in cultural, city, and business contexts. She has published in International Journal of Arts Management and in Knowledge Management Research & Practice.

Timo Järvensivu, D.Sc. (Econ.), is Researcher at the Department of Marketing and Management at the Helsinki School of Economics. His research interests include strategic business networks, network management, organizational values, and value-driven management. He is currently the project manager of Activenet, a research project at HSE focusing on value-creating networks in the field of social and health care services for the elderly.

Sami Kajalo, D.Sc. (Econ.), is Assistant Professor of Marketing at Helsinki School of Economics. His research interests include digital marketing channels, customer relationship management, market orientation, business strategy and retailing. His work has been published in journals including the Journal of Systems and Information Technology, International Journal of Revenue Management, Journal of Interactive Advertising, and International Journal of Mobile Marketing.

Martti Laaksonen, Markkinoinnin professori Vaasan yliopistossa. Keskeisimpinä tutkimusaleina voidaan mainita kuluttajakäyttäytyminen, vähittäiskauppa sekä tuotekonseptointi. Hänen julkaisufoorumeinaan ovat olleet mm. Advanced in Business Marketing, Journal of Business Research (monografia), Journal of Economic Psychology, International Journal of Research in Marketing sekä Psychology & Marketing.

Pirjo Laaksonen, Markkinoinnin professori ja kauppatieteellisen tiedekunnan dekaani Vaasan yliopistossa. Laaksosen tärkeimmät tutkimusalueet ovat kulutus ja kuluttajakäyttäytyminen, kulutustuotteiden markkinointi sekä markkinointiviestintä. Hän on julkaissut laajasti sitoutumista käsittelevistä aiheista, mm. kirjan niin englanniksi kuin japaniksi. Julkaisufoorumeina mainittakoon markkinoinnin alueelta International Journal of Research in Marketing, kuluttajakäyttäytymisen osalta Psychology & Marketing ja soveltavuutta korostavan lähestymisen osalta Place Branding. Pirjo Laaksonen on toiminut pitkään monitieteisen Kulutustutkimuksen seuran puheenjohtajana.

Uolevi Lehtinen has been Professor (now Emeritus) of Business Administration, especially Marketing, in several universities during 30 years. He still is Adjunct Professor in the Helsinki School of Economics and Turku School of Economics from 1977 and 1976 respectively. Lehtinen has been Director of the School of Business Administration, Dean of Economic-Administrative Faculty, Chairman of Council and Rector at the University of Tampere. He has also been Rector of Tampere Summer University. He has been member of board or council in several firms and other organizations. His fields of expertise are services marketing, relationship marketing, international marketing, consumers' and managers' decision making and marketing theory. He has published about 170 scientific publications, more than third of those in refereed international journals (e.g. Asia-Australia Marketing Journal, European Journal of Marketing, European Research, International Journal of Advertising, International Journal of Service Industry Management, Journal of East-West Business, Service Industries Journal) or proceedings and as parts of scientific books in seven languages. He has also been in the editorial board of four international and two Finnish journals. In 1990's he has been the developer and director of national doctoral program in business administration (KATAJA), a national unit of excellence. He has supervised over 30 dissertations. He has also functioned as a private educator, a consultant and an entrepreneur as well as an active discussant in newspapers and magazines. He is Honorary Doctor of the Russian Academy of Economics and Honorary Chairman of the Society for Business Administration.

Lars-Gunnar Mattsson is Emeritus Professor of Business Administration at the Stockholm School of Economics. Before joining the SSE faculty in 1980 he held professorships at Linköping University and Uppsala University and was Visiting Professor at the European Institute for Advanced Studies in Management and University of California at Berkeley. His research on distribution systems, industrial markets and internationalisation of business has been published in books and in journals such as International Journal of Research in Marketing, Industrial Marketing Management, Harvard Business Review, Scandinavian Journal of Management and European Journal of Marketing. His research interest has for long time concerned dynamics of market networks. Lars-Gunnar Mattsson has been awarded Honorary Doctorates at Helsinki School of Economics and at the Swedish School of Economics and Business Administration. He is Honorary Fellow of the European Marketing Academy, Fellow of the European International Business Academy and Fellow of the Royal Swedish Academy of Engineering Sciences. He has been awarded the “Ahlsell Prize” and the “The Big Prize from the Söderberg Foundations” in recognition of his marketing research contributions.

Christopher John Medlin is Associate Professor at the University of Adelaide Business School. Chris's research interests are based on inter-organizational theory in the business-to-business marketing area. He follows two main streams of research: basic theoretical research on interaction in business relationships and networks, where he has a specific interest in ‘time’; and secondly quantitative modeling of business relationships as dyads. Chris has published in the Journal of Business Research, Industrial Marketing Management and the Journal of Business-to-business Marketing.

Johanna Moisander, D.Sc. (Econ.), works as Professor of Marketing at Helsinki School of Economics, Department of Marketing and Management. She is also Adjunct Professor at the University of Lapland, Faculty of Business and Tourism and at the University of Helsinki, Faculty of Agriculture and Forestry. Her research interests currently center on Foucauldian and cultural approaches to business research and qualitative research methodology. She has published, for example, in Business Strategy and the Environment, Consumption, Markets & Culture, International Journal of Consumer Studies, Management Decision, and Organization.

Katri Nykänen, M.Sc. (Econ.), is Researcher and doctoral candidate at the Department of Marketing and Management at the Helsinki School of Economics. Her research interests include business networks, social networks, network management, and using participative research in understanding networks, their management and development. She is currently working as researcher in Activenet, a research project at HSE focusing on value-creating networks in the field of social and health care services for the elderly.

Elina Oksanen-Ylikoski, D.Sc. (Econ.), is Principal Lecturer of Professional Sales and in charge of the first Scandinavian Bachelors Degree Program of Professional Sales at the HAAGA-HELIA University of Applied Sciences in Helsinki, Finland. Her research and pedagogical interests involve the application of critical social constructionist study approach and methodologies into studies on selling and sales people, and the application of student centered learning philosophies - such as Problem Based Learning - into personal selling and sales management classes. Oksanen-Ylikoski has a broad experience covering various aspects of professional sales, including working with academic research, as a sales person, and as an industry lobbyist.

Arto Rajala, D.Sc. (Econ.), is Assistant Professor of Marketing at Helsinki School of Economics and Adjunct Professor at the Lappeenranta University of Technology. His research focuses business relationships and networks, organizational issues in marketing, high technology marketing, as well as marketing and business competencies. His research has been published e.g. in Industrial Marketing Management, Journal of Business Research, and International Journal of Technology Management.

Risto Rajala, M.Sc. (Econ.), is Researcher in Information Systems Science and Coordinator of the Business Networks Research Programme at Helsinki School of Economics. His current research activity is focused on software business, including the innovation strategies, business models and networks of firms in the ICT sector. He has conducted studies on open innovation, open source software business and virtual communities. His research is published in several international journals, scientific books and conferences. In addition, Risto has been active in teaching courses on software business, project management and information systems development.

Geir Sogn-Grundvåg is Senior Researcher at Nofima Market, Norway. He received his doctorate from the University of Tromsø. His current research interests include exploitation of competitive advantage within emerging industries, learning from new product failures, and development and usefulness of differentiation strategies. He has published more than 20 articles in journals such as European Journal of Marketing, Creativity and Innovation Management, Marketing Intelligence and Planning, and Supply Chain Management: An International Journal.

Tore Strandvik is Professor of Marketing at Hanken Swedish School of Economics Finland (Svenska handelshögskolan) and member of the board of its research and knowledge centre CERS Centre for Relationship Marketing and Service Management and was also the first director of the centre for six years. His research interests relate to relationship marketing, service management and marketing, marketing communication and strategic marketing. Within these fields he has published numerous scientific articles. He has been recognized as an International Fellow of CTF - Service Research Center, Karlstad

University, Sweden. He is Distinguished Member of the Finnish Society of Sciences and Letters.

Henrikki Tikkanen is Professor of Marketing and the Head of the Department of Marketing and Management at Helsinki School of Economics. His research interests cover business strategy, strategic marketing, industrial business relationships and networks, and international project marketing. His research has been published recently e.g. in Journal of Management Studies, Industrial Marketing Management and Industrial and Corporate Change. His paper with Professor Juha-Antti Lamberg (Helsinki University of Technology) "Changing Sources of Competitive Advantage: Cognition and Path Dependence in the Finnish Retail Industry 1945-1995" (published in ICC in 2006) won the 2008 Sloan Industry Studies Best Paper Prize.

Matti Tuominen, D.Sc. (Econ.), is Assistant Professor of Marketing at Helsinki School of Economics and Adjunct Professor of Marketing at the University of Helsinki. His research interest addresses market orientation, market related firm assets and capabilities, and organizational innovations. He is a senior research fellow in the international MC21 (Marketing in the 21st Century) research consortium. Several international research awards have been honoured for his research papers and journal articles. His articles have been published in journals like Industrial Marketing Management, International Journal of Technology Management, International Journal of Entrepreneurship and Innovation Management, International Journal of Management and Decision Making, International Journal of Revenue Management, International Journal of Retail and Distribution Management, The International Journal of Entrepreneurship and Innovation, The International Review of Retail, Distribution and Consumer Research, Journal of Business Research, The Finnish Journal of Business Economics, and Journal of Strategic Marketing.

Jan-Åke Törnroos is Dean of the Faculty of Economic and Social Sciences at Åbo Akademi University, Finland, Professor of International Marketing. Törnroos' research is closely related to international business marketing using an interaction and network approach. Other areas include corporate internationalization and globalization, the time-dimension in firms and organizations, qualitative methods and process-based studies in marketing. The research has been published in international refereed Journals (e.g. Journal of Business Research, Journal of East-West Business, Scandinavian Journal of Management, Journal of Global Business Advancement). Also quite a lot of articles in edited volumes published by Routledge & Co, Haworth Press, Kluwer and JAI Press have been published as well as about 40 articles in International Conference proceedings.

Olavi Uusitalo is a Professor of Marketing at the Department of Industrial Management in Tampere University of Technology (TUT). At the moment he is Dean of the Faculty of Business and Technology Management at TUT. He earned his Ph.D. (1995) and MBA (1989) from Helsinki School of Economics, and a M.Sc. Degree in Power Electronics from Tampere University of Technology (1980). Before joining academics in 1996, he worked for ten years product and sales manager in several Finnish international companies. His teaching and research interests are in business to business marketing, international marketing, networks and technological changes. He has used for a long time international business simulation as a teaching tool. He is also active speaker in international conferences.

Anu Valtonen, D.Sc. (Econ), works as Professor of Marketing, University of Lapland, Faculty of Business and Tourism. Main research interests: cultural consumer research, leisure and tourism studies, and qualitative methodologies.

Mika Westerlund, M.Sc. (Econ.) is Researcher and Coordinator of the ValueNet research program at the Department of Marketing and Management, Helsinki School of Economics. His research interests address firms' business models, inter-organizational networks, SME marketing strategy, and open innovation. Mika has published numerous articles in refereed international journals such as California Management Review, Industrial Marketing Management, Journal of Business and Industrial Marketing, Supply Chain Management: an International Journal, and International Journal of Entrepreneurship and Innovation.

Anne Äyväri, D.Sc. (Econ.), works currently as Principal Lecturer at Laurea University of Applied Sciences. Her research interests include small firm networks, networking abilities, and learning in networks. She has published in International Journal of Arts Management and Knowledge Management Research & Practice.

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Kirjakauppa
Runeberginkatu 14-16
00100 Helsinki
Puh. (09) 4313 8310, fax (09) 495 617
Sähköposti: kykirja@ky.hse.fi

Helsingin kauppakorkeakoulu
Julkaisutoimittaja
PL 1210
00101 Helsinki
Puh. (09) 4313 8579, fax (09) 4313 8305
Sähköposti: julkaisu@hse.fi

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