Editorial

Innovating and strategizing in an interactive business landscape

The first issue of 2017 draws attention to two phenomena that are related, but appear in a different light when approached from a mainstream market perspective or from the interaction perspective on the context of business.

The first three papers draw attention to two particular issues related to innovation processes – the role of accounting and the role of business deals. Both issues are of importance for the involved firms as well as for policy makers. The three papers argue that both accounting (financial as well as non-financial) and business deals concluded among businesses, are mostly based on overly simplified view of the socio-material values expected to be created through the innovation processes. A common stance of the three papers is that both accounting and the business deal formation contribute to stabilize the innovation process but also to give it a certain direction in time and space. Hence, both accounting and formation of business deals result in distributing the costs and benefits of the innovation process across organizational (and national) borders not necessarily in proportion to socio-material structures that enabled the innovation process.

The five papers that follow deal with how firms' strategizing in relations to other stakeholders – in particular customers and suppliers, can favor or hinder renewal and innovation as well as increase or decrease the cost efficiency. The core message on which the five papers converge is that strategizing is far from being an intra-firm activity; rather, it is argued, strategizing takes place and form in short-term and long-term interactions with the key counterparts on both the supplier and the user side of businesses. All the five papers tend to stress the importance of making use of the other businesses to which the company relates, focusing on various specific aspects of making use of others. Below follows a presentation of the papers in more detail.

The first paper; "The role of accounting for managing innovation processes when relationships matter," by Johnny Lind, examines the role of accounting in innovation processes. While accounting is generally recognized to be an important tool for managing operations in complex organizations, the role of accounting for innovation has been object of much less attention. The author approaches the innovation as a gradual process of applying temporal solutions. Against this background accounting stands as systematic quantitative financial information and non-financial information that influences the choice of solutions and future courses of action in the innovation process. As such, accounting can both promote and hinder the innovation processes.

The aim of the paper is to deepen the understanding of the role of accounting in making choices that form the temporary solutions in the innovation process. Besides a literature review, the paper is based on a longitudinal case study in the telecom industry. The role of accounting is analyzed from the perspective of a supplier (Ericsson) and its relationship with a large customer (Telia) and the research had the full support of both companies. The main source of data was 69 semi-structured interviews in the two companies.

The findings illustrate the different ways in which accounting influences the temporary solutions applied in the innovation processes. Accounting was found to be used to stabilize as well as to de-stabilize the temporary solutions in the customer supplier relationship. The content of the accounting varied depending on the characteristics of the customer relationships. Further, the study also reveals how the use of accounting influenced and was

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influenced by previous and prospective future deals made among parties. This put new challenges on the use of accounting because it involves negotiation processes that influenced the accounting figures.

In the second paper; "The roles of deals and business networks in innovation processes," Per Ingvar Olsen and Håkan Håkansson, analyze the roles of "deals" for innovation processes. Deals originate in the interaction of social-material value creating processes and money-handing processes. The empirical base for the paper is innovation process related to adoption of radically new technology and medical procedure called TAVI; a minimal invasive technology which offers a new treatment for people who suffer from severe aortic stenosis. The data have been collected in a broad study on how practitioners at various Scandinavian hospitals adopted, organized and used this new technology. The paper is focused in analyzing how this originally Danish invention moved to the US west coast and became a rapidly growing niche controlled by one of the major companies in the global medical technology industry.

The authors stress that deals defined as specific formal agreements concerning monetary conditions are important elements in innovation process, since they will typically affect how interactions will continue and develop after the deals are made. These deals are both necessary and somewhat problematic since they can never fully cover or represent the total interaction.

Investigating the role of deals in the TAVI innovation journey, seven deals are analyzed. Based on their findings, the authors argue that deals represent "critical junctions marking entries to different phases and generate major shifts in location as well as the combination of resources, activities and actors." The shifts include radical changes in control of resources, necessary to bring the innovation process further. This conclusion challenges the traditional new entrepreneurship and new venture literature and its attention to the importance of "early stage entrepreneurs." The argument is that innovation process is being pulled by entrepreneurial interests in later stages. In the concluding discussion it is stressed that an innovation may be initiated anywhere, but it will tend to move to the in relation to the innovation most competent and capable business networks around the globe. Hence, the more powerful business networks and eco-systems will tend to pull interesting inventions in from their periphery, and effectively nurture and harvest these.

The third paper; "The role of policy in innovation: The challenging distribution of social, material and monetary benefits," by Alexandra Waluszewski, Enrico Baraldi and Andrea Perna, starts out from an observation made in several IMP studies of policies, namely, that the costs and benefits of an innovation tend to be unevenly distributed across organizational and spatial borders and across different companies' balance sheets and across the jurisdiction of different nations. Furthermore, the paper discusses how contemporary economic policy relies on a simplified view on innovation which leads to identifying as the main obstacle to overcome the difficulty for the "market" to gain access to "sticky" information concerning potential of not yet commercialized innovations.

The authors ask what happens when policy investments; resting on the assumption that the only problematic interface is the one between the non-business developing setting and a friction-free producer and user setting, are applied on a business landscape characterized by interdependencies and complex interfaces within and among all these settings? The ambition of the study is to shed light on the interface between policy and a specific innovation journey, and the attention is directed to the creation and distribution of social-material values, and the translation of these values into monetary flows.

An empirical study on the commercialization of university research in the field of solar power technology is utilized, focusing on the social-material values created for which actors in which places, and the establishment of business deals giving rise to a monetary dimension and flows – and the role of policy in this process.

Authors conclude that the transnational nature of innovation processes and the connectedness of resources across different, often far-away places, is generally neglected by contemporary policy makers, which can lead to the loss of control of the social material and monetary benefits of innovation. Furthermore, when faced with such consequences, not only policy but also representatives for academic research and business seldom seem to consider the transnational aspect of the innovation processes.

The fourth paper, by Kristin Munksgaard, Majbritt Rostgaard Evald, Ann Højbjerg Clarke and Torben Munk Damgaard, "What's in it for me: Firms strategizing for public-private innovation" relates the innovation policy and private firms strategizing when engaging with the public sector. The paper starts out from discussing the ever increasing expectations on public-private innovation, as a means to solve public welfare challenges among policy makers. Relationships between public organizations and private companies are assumed to be always beneficial, contributing to innovative welfare solutions.

Based on IMP and related research that questions such value expectations of public-private innovation the authors' ambition is to shed better light on public-private innovation processes. The authors argue that for the involved participants as well as society at large, due to diverging institutional goals and organizational traits of public and private sectors, public-private relationships include both benefits and burdens. The research question how public-private relationships affect the PPI process, and how firms engaging in public-private relationships strategize for handling relationships with public actors, is investigated from the perspective of the private firms.

The empirical material presented and analyzed, is ten firms' engagement in public-private relationships; half of them with experience of innovation in public-private relationship; the other half engaging in public-private relationships for the first time. Cross-case analysis brings insight into how these two different types of firms strategize for handling relationships with public partners.

In the concluding discussion the authors show that most of the ten firms did not succeed in diffusing the successful solution achieved in a specific public-private innovation project to other public actors. However, especially the firms with experiences of public-private interactions still reap some benefits, although of more "intangible nature" as, for example, utilizing the relationships with public actors as an asset to overcome different challenges. The public-private innovation efforts furthermore appear to be an issue for the private side; the public actors appear involved in the technological developing setting only to a limited, if not marginal, small extent. The overall conclusion is that the most experienced firms strategized in terms of utilizing their connections to the related public network while working innovations for specific public counterparts.

The fifth paper by Simone Guercini and Annalisa Tunisini, "Formalizing in business networks as a tool for industrial policy," examines the "formalization" of mutual commitments in business networks as a policy instrument. Formalization refers to developing a legally binding contract between actors in the network, which takes on a definite form prescribed by law. The authors stress that formalization is a specific phenomenon in business networks that can have consequences in terms of network dynamics and can therefore be interesting for policy makers.

The foundation of the papers is an empirical study on formalized network contracts; "contratto di rete", introduced in Italy in 2009 aiming at the constitution of "formal" business networks with the main aim of supporting the growth of SMEs. The aim of the study, which covers 15 cases of network contracts, is to investigate whether and to what extent, the formal network contracts affect network aggregations among SME's.

The authors find that most of the network contracts are based on pre-existing relationships, when the formal contract is utilized as a means to develop the existing relationships further. In some cases the network contract has enhanced the network development, while in most other cases it has produced more benefits from already existing relationships. The authors show that the formal contract has both "internal" consequences, in terms of reducing ambiguity and building elements of "fragile trust" among the members of the contractual network, but also "external" consequences for "third parties"; such financial institutions, public policy makers, and other regional and governmental actors. The conclusion that the authors advance is that network contracts appear to have a potential as policy tool when the ambition is to affect network dynamics.

The sixth paper, by Ann Højbjerg Clarke, Per Vagn Freytag and Judith Zolkiewski; "Customer portfolios; Challenges of internal and external alignment," deals with a central issue in marketing strategy and stresses the need to expand the discussion of customer portfolios beyond identification and assessing customer portfolio and argue for the need to consider also the relationship partners' perspective in portfolio analysis. Taking such a perspective, customer portfolio analysis is argued to be useful for guiding balanced implementation of strategic aims of the firm regarding to the composition of its customer base.

The authors stress that portfolio models should explicitly acknowledge the two-sided nature of relationships and that portfolio analysis should aim at identifying the changes that occur in customer relationships and guide the firms in attempts to cope in customer relationships. Two research questions are pursued:

RQ1. What are the important issues in changing and aligning customer portfolios?

RQ2. How can these issues be addressed internally in the focal firm and in the customer's company?

The paper is based on a review of the portfolio literature in business-to-business marketing and sales literature. Based on the literature review the authors introduce a conceptual framework aimed to improve the understanding of how customer portfolio models can actually be applied to manage the alignment in relationship portfolio over time.

The concluding discussion stresses how understanding the nature of business relationships may inform firm's possible actions to manage the customer portfolio over time. The fact that both parties have aims, make prioritizations, and want to allocate resources can potentially result in a misalignment of strategic aims when the aims and prioritizations of the other party are not taken into consideration and/or both parties do not share similar aims or priorities. Several interaction spaces are identified as critical for facilitating for the relationship interface. It is emphasized that the sales organization and sales force as boundary spanners play a pivotal role in aligning customer portfolio over time. The sales organization and the sales force are critical for balancing the aims of the own organization and those of the customer. Although it may not always be easy to get information about customer's priorities it is necessary to develop some kind of understanding of what moves the customers may be contemplating.

In the seventh paper, "Investigating strategy tools from an interactive perspective," Cheng and Havenvid start with the fact that the notion of "strategy tools" is typically based on mainstream strategic management. Consequently strategic action is seen as taken by managers inside the boundaries of the single firm and the "outside" influence is generally conceived as an aggregated system of actors on a societal level. The IMP experiences of firm's strategy are in contrast with such a perspective; strategy is found to be shaped in relations to those with whom there is a business exchange and strategizing implies that companies need a strategic orientation where resources, activities and actors are considered simultaneously at the business-network level. Hence, in an interactive business landscape, companies develop strategies in an "interactive, evolutionary and responsive" way.

In order to understand how strategic tools based in the ideas of independent strategic actions works in an interactive business setting, the authors focus on how the individual managers interpret and utilize some traditional techniques to influence important business relationships. The paper is based on studies of three focal firms in the construction and oil and gas industries and examines how conventional strategy tools are interpreted and adapted in order to systematically relate to others and create benefits and affect development paths in business relationships.

In the concluding discussion, the authors underline that how strategic tools are used in practice varies in relation to different counterparts and depend on the nature of the business relationship. Their usefulness depends on whether these can be used to affect the content of the strategizing firm's specific relationships; that is the use of strategic tools is relationship specific. Hence, strategy tools can be viewed as an integrated part of a networking pattern of mobilizing resources, linking activities and relating actors. Seen in this manner, use of strategy tools can be interaction-facilitating or interaction-creating.

The eighth paper, by Zsuzsanna Szalkai and Mária Magyar; "Strategy from the perspective of contract manufacturers," draws attention to a business phenomenon of increasing importance in the global economy; contract manufacturing and the way contract manufacturers engage in strategizing. The paper starts out with the notion that in the conventional strategy literature contract manufacturers are rarely seen as actors with own strategies and visions and mostly considered strategically passive. Applying the relational view of strategizing, the the paper takes the perspective of the supplier and investigates how contract manufacturers can engage in strategizing.

The research question is how can the strategizing of contract manufacturers be conceived and analyzed. The analysis is based on a longitudinal case study, where the strategic actions of a contract manufacturer in relation to two main customers are mapped. In the concluding discussion, the authors underline that in order to understand the contract manufacturers way of strategizing it is necessary to go beyond the intra-firm level and investigate this issue in relation to the the strategies practised by the counterparts.

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