

ACCEPTED VERSION

Medlin, Christopher John

[Peter Drucker's ontology: understanding business relationships and networks](#)

Journal of Business & Industrial Marketing, 2012; 27(7):513-520

© Emerald Group Publishing Limited

Published version available from:

<http://www.emeraldinsight.com/journals.htm?articleid=17048078>

PERMISSIONS

As Per Email

From: Chris Tutill

To: Digital Library

Date: 5 August 2013

Upon publication, Emerald allows its authors to place a non-Emerald branded version of their article within their current institution's website. By this we mean that while it can have all of the Editorial changes, it must be in a different format – i.e. different font, different layout, etc. and must not have any Emerald logos or branding. We ask that they include the DOI to the article (found in abstract/ document information). We also request that the following statement **appears on each page**;

'This article is © Emerald Group Publishing and permission has been granted for this version to appear here (please insert the web address here). Emerald does not grant permission for this article to be further copied/distributed or hosted elsewhere without the express permission from Emerald Group Publishing Limited.'

20 August 2013

<http://hdl.handle.net/2440/73549>

Peter Drucker's Ontology: Understanding Business Relationships and Networks

By Christopher J. Medlin
University of Adelaide

Accepted 2011:

Medlin, Christopher J. (2012), "Peter Drucker's Ontology: Understanding business relationships and networks," *Journal of Business & Industrial Marketing*, 27 (7), 513-20

Abstract

Purpose: The paper considers the underlying premises of Peter Drucker's managerial writing and focuses on three main aspects: humans and relations, an evolutionary perspective and a pragmatic perspective. These ontological views are taken to a new level and applied to explore the world of networked firms.

Design/Methodology/Approach: The paper is a conceptual contribution based on a literature study by the author.

Findings: An examination of Drucker's ontology shows how his world perspective led him to an understanding of managers and organizations. The three elements of his ontology discussed are applied to research in business networks.

Research implications: Argues for research on human perspectives of business relationships and networks; particularly of issues such as time, timing, partner integration, relational and network embeddedness, network sensing, network horizons, and network identity.

Practical implications: Drucker's ontological view enabled him to make pronouncements that cut through to the truth of reality in our organizationally shaped world. Understanding Drucker's ontology provides managers with ways to deepen their understanding of an individual's role at every level within an organization.

Originality/Value of paper: The linking of Drucker's ontology to research on new ways to organize and manage networked firms opens areas of future research.

Keywords: business network, time, evolutionary management, network management

1. Introduction

Peter Ferdinand Drucker (1909-2005) is considered by many as the founder of modern managerial thought (Byrne, 2005). He was influential on the basis of his original thinking. But what was the basis of Drucker's thoughts? What allowed him to see the role of business managers so clearly? We know that Drucker approached the study of organizations and management in interesting ways, but what were the underlying elements of Drucker's worldview? What allowed him to see the world anew and make such insightful comments? An examination of Drucker's ontology, the concepts presupposed by a theory (Wilkes and Krebs, 1985), provides an insight into the source from which he drew over so many years of fruitful influence.

Drucker began by conceptualizing the enterprise as a collective of human beings. This is an important distinction, for it is not roles and functions, which come first in Drucker's view, it is people. However, he was even more specific, as he stipulated that each human being is "unique" (Drucker, 1979). This is an even more important starting point, indicating an acceptance of people not only as a resource of management and enterprises, but also as active agents capable of changing the nature of enterprises and the management processes that underpin the organization of resources.

In this paper the ontology of Drucker is examined and analysed on the basis of three analytical perspectives: humans and relations, evolutionary processes and pragmatism. Each of these themes is apparent as central ways that Drucker thought about managing inside organizations. In Drucker's view organizations are composed of unique individuals, with the collective conceptualized as a living and changing entity. Within this view Drucker saw the processes of change through the lens of people and their relationships, so that change was evolutionary and practical, always building upon the present. In the later part of the paper the focus moves to the future of organizations in an increasingly networked global world. In this section the role of managers and organizations are considered on the basis of the three themes elaborated within Drucker's ontology.

2. Ontological Perspective

The evidence of Drucker's worldview is throughout his writing and seems to have three main themes: humans and relations, evolutionary processes and pragmatism. Of these, Drucker's view of managers as humans who relate to other individuals was the most profound. However, Drucker also applied the analytical tools of evolution and pragmatism with power.

2.1 Humans and relations

Drucker saw management as a human activity, which dealt with each worker and manager as a unique individual (Drucker, 1979). He regarded an enterprise as a "community of human beings" (Drucker, 1954 pp.64), joined together by the purposes of

the organization. These perspectives of the individual/collective and the human nature of organizations speak to the ontological perspectives of George Mead (1932) and Martin Buber (Buber, 1923; Friedman, 1960). In this ontological view, a human individual requires and develops within a social environment. This does not mean individuals are unimportant, they are; rather it points to the idea that all experience is known through social encounter, through social mediation. This is an important distinction, which highlights that perception of the objective world is a result of social processes. Meanings are socially created in Drucker's worldview.

A human view sees the world of day-to-day experience as objective, plural and social. Reality exists and each human apprehends a part of that reality according to their past experience, their intentions and their social interactions. Individuals necessarily have their own unique perspective, which is a natural result of the heterogeneity of the social world. Each social and economic interaction is a meeting of different perspectives. This means plural viewpoints is the norm, with a concomitant degree of relativism (Buber, 1923; Smith, 1958). The implications of this worldview are profound for managers. In the remainder of this section this social human view is applied to Drucker's published works. The discussion highlights how this worldview informs Drucker's understanding of organizations and managers.

Many examples exist of Drucker's reliance on the social human view within his work. Consider how Drucker conceptualizes the firm: "the institution itself is, in effect, a fiction. It is an accounting reality, but not a social reality. ... we know perfectly well that it is some people within the agency who make the ruling or the decision and who act for the agency" (Drucker, 1985 pp.5). Here we see the dominance of humans in the decision making of social organizations. Firms act through the life of humans. Drucker takes this simple truth and builds every aspect of his understanding of organizations and how managers and executives create profits.

Another glimpse of Drucker's human view is found in the way he sees organizations and managers responsible for individuals. From Drucker's (1996) perspective, "the first constant in the job of management is to make human strength effective and human weaknesses irrelevant". And the way to achieve this according to Drucker is through communities and organizations, as individuals cannot alone compensate for their weaknesses. Drucker saw that human frailty and strength were spread unevenly across and within individuals and for this reason humans must live inside social organizations. This truth of human nature, according to Drucker, gave a special responsibility to managers. Not a paternal responsibility, but a responsibility for managing with people to gain economic outcomes (Drucker, 1954 pp.11); to achieve the goals and objectives of the organization.

In a most telling example, respect for the individual is given as a supporting reason for one of Drucker's main contributions to management, the clarity of 'management by objectives'. According to Drucker (1954 pp.131) management by objectives "enables us to substitute management by self-control for management by domination". These ideas

show how clearly Drucker understood management; as an activity based on the nature of humans as social creatures and so as an activity requiring respect between individuals.

However, Drucker was not only concerned with individuals and their relationships, he also focused on organizations as “a means to the end of business performance and business results” (Drucker, 1954 pp.194). These goals, or intentions, provide Drucker with a purpose for the human relationships in organizations. The achievement of collective goals is the reason for organization, for the existence of a firm, for the way individuals organize themselves and their activities within a firm.

Drucker’s understanding of humans and relationships displays two important aspects, which demonstrate his acceptance of heterogeneity and plurality of perspectives. The first is the way relationships form a web (Drucker, 1985 pp.xii), with that web focusing on the economic goals of the firm. While Drucker did not develop the idea of networks, his understanding of relationships included the concept of connected relationships. These relationships are based on complementarity and rely on resource heterogeneity and difference of perspective between the parties. Drucker described the ways a manager relates to their supervisor, with the relationship being neither one nor two way between the individuals, but rather three ways. Very early in his thinking Drucker (1954 pp.142) insists on at least three relationships, consisting of “a relationship up from the lower to the higher manager; a relationship of every manager to the enterprise; and a relationship down from the higher to the lower manager”. These ideas show how Drucker accepted a plurality of perspectives within organizations according to variations in role, with regard to the purpose of the firm.

The second evident aspect of human relations is the two-fold nature of relationships (Buber, 1923), where interaction between individuals can create more than either first envisaged. The essential element to understand the two-fold nature of relationships is to appreciate that “full mutuality is not inherent in men’s life together” (Buber translated by Smith, 1958 pp.164). With this in mind, every social and economic interaction involves a minimum of at least two perspectives and each perspective offers something new, and so emergence is natural.

While Drucker does not elaborate the two-fold nature of relationships, his writing displays a sound grasp and application of the concept. For example in “The Practice of Management”, Drucker (1954) discusses three implications under the title “The Manager’s Resource: Man”, which show that every human remains independent and is never only a resource; rather a two-fold relationship exists between manager and employee. Drucker notes first that “man alone, cannot be ‘worked’” (1954 pp.348), and so respect and responsibility are essential to relationships. Second, that there is always a “two-way relationship between two men rather than a relationship between man and resource” (Drucker, 1954 pp.348). Finally, that the “nature of this interrelationship is that it changes both parties” (Drucker, 1954 pp.348). Drucker evidently saw each individual as an active agent, capable of changing the nature of enterprises by even simple adjustments in activity or re-alignment of resources.

The two-fold nature of relationships, where neither party can attain full mutuality, is shown in the counterpoint of ideas throughout Drucker's writing. For example, in noting how wages are a cost to an enterprise and an income to an employee Drucker (1954 pp.312) shows his understanding that manager and employee will always have a two-fold view; which is not to say an opposing relationship. Rather, the two views complement each other and rely on each other for their existence. The relationship and the component interactions rely for meaning on each other.

When we add these ideas to the simple truth that firms act through the life of humans we gain a great insight into the way organizations must be managed in Drucker's eyes. Managers are humans, dealing with human workers, and how these people interact builds every aspect of an organization and eventually explains how managers and executives create profits. However, to explain these matters requires the extension of organizing, by extending organizing across time and so we must elaborate Drucker's use of evolutionary heuristics.

2.2 Evolutionary Perspective

One cannot place human nature at the centre of management and organization without also accepting change over time; growth and decay. Peter Drucker saw the world, our enterprises and their managers, as living processes. Production was a result of cooperation between all functions of an enterprise (Drucker, 1954) and humans managed the required coordination processes in an on-going fashion. The management activities of today prepared the coordination of future production processes (Drucker, 1985). For Drucker the present created the future in part, with the future a changed development from the present.

To Drucker the word 'organization' denotes an ever-changing collection of individuals, like the word 'river' describes moving water. As a result Drucker often resorted to medical analogies to portray this active sense of firms. For example, Drucker (1995) equates cash-flow and liquidity projections to the "measurements a doctor takes at a routine physical". In these analogies the unit of analysis is clearly a changing entity.

Drucker's viewpoint of managers and organizations relied upon time flow in two senses. First, time flow provides context and meaning to a human concerning future action (ie purpose and intention), and secondly humans require the flow of time to look back and establish meaning. In the first sense the flow of time provides the economic environment that managers must bring to a new problem.

Managers, in Drucker's view, must balance the 'present' and the 'long-range future' (Drucker, 1954 pp.14) to fulfil their responsibilities. Drucker (1954 pp.15) sees the present as the time for building an organization, while the future is the time for achieving the goals of the organization. To Drucker 'time', represented as present and future, provides two connected contexts that give purpose and meaning to the processes of management.

Interesting in this twin contextual view is the idea that management “almost alone – has to live always in both present and future” (Drucker, 1954 pp.15). Of course a person does not ‘live in the future’; rather cognition in the present is regarding the future (see Buber in Smith 1957; Luhmann, 1979; Medlin, 2004). The parallel to Martin Buber’s (1923) ontology is unmistakable. Drucker (1985 pp.xii) directly compares the role of manager with that of teacher, who must know both present and future to achieve their role. According to Buber, a teacher must know the student “in his potentiality and his actuality” (Smith, 1958 pp.164) to fulfil the teaching role, that is, in his future and his present. Evidently, a human understanding of time was an element of both Buber and Drucker’s ontology.

Drucker applies the double context of present and future in many ways to develop his understanding of manager’s roles. We see this concept of change in Drucker’s ‘management by objectives’ and within his idea that ‘profits’ are ephemeral phenomena within the flow of time (Drucker, 1954). Drucker also applies this forward method in time when he comments on the effect of an aging population on the structure of future organizations (Drucker, 1996).

By contrast and in the second time sense, for the firm and the manager, the success of activity and resource use becomes apparent as time passes, and the manager can look back at what was achieved. In the second sense, the unfolding of time removes the ambiguity of social action, as two or more competing perspectives settle to a socially condoned, or imposed, meaning (Luhmann, 1979). Action simplifies ambiguity. Drucker often applies this understanding of social reality, with constant use of examples that extend across time periods. For example, Drucker (1996) describes how the Prussian Army overcame greater forces by application of a control and command organization, which was then adopted by business. The understanding of a command organization is apparent when the managers’ past activities are viewed with their consequences, so that meaning is able to be clearly attributed.

Drucker applied time in both senses throughout his writing, although we most often see only the more obvious reference to the balance between ‘present’ and ‘future’ (Drucker, 1954 pp.15; Drucker, 1985 pp.43). If we can say one thing about Drucker, it is that he focuses more on the present and the future than the past. As Drucker comments, an “action is always aimed at results in the future” (Drucker, 1954 pp.15). The past offers explanation, but to Drucker the present is most important. The present is where decisions and actions are undertaken to shape the future (Mead, 1932).

This forward-looking perspective is why Drucker considered customers as the purpose of firms. Production, according to Drucker, is only meaningful because it allows future consumption. The forward focus leads Drucker to his conclusion that the purpose of organizations is the creation of end-consumers (Drucker, 1954 pp.37, pp.50).

There are two more important distinctions to be made about the past/present/future of time flow in Peter Drucker’s ontology. The first is to note that Drucker recognizes that the future in one industry can be as soon as five days away, while in other industries the

future is five years away (Drucker, 1954 pp.84). Likewise, by implication, the “time-squeeze” required on actions in the present (Drucker, 1954 pp.16), to achieve a future, changes according to industry and/or management circumstance (Drucker, 1954 pp.45). Time has a subjective quality within a human perspective.

A second distinction is the way managers live and act in the present (Medlin, 2004), with intention for the future, but act on the basis of present knowledge and skills derived from past experience. One cannot place humans at the centre of management and organization without also approaching an understanding of the distinctions between living and knowing (ie knowledge). Drucker (1985 pp.xii) draws a line between ‘skill’ and ‘performance’, and fully appreciates that managers are concerned with action. Drucker (1979 pp.17) saw management as “not knowledge, but performance. ... [However], its practice is based both on knowledge and on responsibility.” These distinctions are very similar to the ontology of Martin Buber (Smith, 1958) and George Mead (1932), where cognition and interaction are continuous and switching in time. For Drucker, the human element of organizations meant a living process, where action in the present is directed at future goals. This one idea embraces all of Drucker’s propositions on management and organizations.

2.3 Pragmatic Perspective

Drucker was pragmatic and saw that new theory always follows action. Drucker applied the concept of principles, or theories, to his analysis of the interaction between customers and firms and saw that change in the environment required application of new theories of business (Drucker, 1994). Here we see that Drucker accepts the dominance of action and change. Drucker’s pragmatism and evolutionary thinking tools cut between theory and action. To Drucker, theory was always incomplete (Drucker, 1954 pp.56); a work in progress, and the rational mind was always trapped by past experience.

The specific view of the world and enterprises as living human organisms in the continuous flow of the present leads Drucker to a conclusion that efficient production “is a matter of principles rather than of machines or gadgets” (1954, pp.108). This idea is a sensible and pragmatic result of seeing production as a human endeavour. With humans as the key, “production is not the application of tools to materials. *It is the application of logic to work*” (original italics Drucker, 1954 pp.96). And Drucker was not only writing about managers, he saw that any individual can take action and so change the nature and output of work and production.

Drucker applied this pragmatism to every idea concerning management and so found that old skills and knowledge were often left wanting. For example, Drucker derides the theory of markets and competition. Drucker (1954 pp.53) simply raises the question, “what does the customer buy?” and these concepts do not answer. To Drucker the ‘value’ purchased by a customer was more than price, was different for every customer, and included the future use of a product. To Drucker the living use of a product through time could never be fully captured in a theory.

Theory and reality were always separate in Drucker's worldview and action took precedence. Theory represented forms of knowledge acquired from past experience, but the manager was responsible for action 'now' in the present, with "one set of demands ... not necessarily 'higher' than another, But each ... different" (Drucker, 1954 pp.96). The key, for Drucker, was a 'balance' between action directed at having an effect in the present or the future (Drucker, 1954 pp.96).

An important aspect of a pragmatic and conjoined evolutionary perspective is the forever incomplete future (Drucker, 1954 pp.92). Drucker saw the world as on-going, never achieving a complete system; rather he saw only new waves of emergence as one individual, or one firm, interacted with another individual or firm, or customer. In this worldview change is directed by managers, but not controlled. Evolution is open-ended, with local goals, but without system or environmental goals. In Drucker's mind no end goal, or rational thought, exists for the whole human enterprise, only goals for the single individual, organization or entity.

We see now why Drucker saw himself always as an "observer", a "writer" and a "teacher" (Drucker, 1979), for each new 'present' brought for him something interesting to examine, scrutinize and wonder about. When we bring together the natural aspect of emergence in human relationships and Drucker's evolutionary and pragmatic perspectives we see the thinking tools that allowed him to be the seer.

3. The Future of Organizations

In this section the future of networked organizations is examined by applying the three themes evident in the ontology of Drucker. The firm is now seen as an element of a network of firms (Johanson and Mattsson, 1987; Perrow, 1981; Thorelli, 1986) and competition occurs between networks of firms (Miles and Snow, 1986), or collaboration occurs between competitors (Powell, 1987; Young and Wilkinson, 1997). The change is conceptual, with firms no longer seen to operate alone (Håkansson and Snehota, 1989), but together, with conjoined self and collective interests (Medlin, 2006). How do we understand and manage these new organizations of firms? While Drucker did not extend his thinking to business relationships and networks of firms, or to a network view of the world, the three themes applied above provide a cogent way of interpreting business research in these fields.

3.1 Human and relation

Networks of firms have been conceptualised by the Industrial Marketing and Purchasing (IMP) Group (cf Gemünden, et al., 1997; Håkansson, 1982; Naudé and Turnbull, 1998) to be composed as layers of resources, activities and actors; according to the level of analysis (ie firm, relationship and network levels) (Håkansson and Snehota, 1995). However, within the IMP Group there has been a degree of ambiguity concerning whether the firm or the individual person is the actor (Medlin and Törnroos, 2007). Indeed within business research generally, one can see the same issues, where some authors are clear that the firm is the actor and humans play a very important role (cf

Geser, 1992; Perry, et al., 2002). While others, who would be considered more akin to Drucker, would argue for a more balanced view where humans would negotiate the interactions between firms (Emirbayer and Goodwin, 1994; Medlin and Törnroos, 2007; Zafirovski, 1999). This later approach makes available to managers conceptual tools for creating a future within business relationships and networks.

The human ontological perspective has informed a considerable body of business research, especially regarding trust and commitment (cf Gundlach, et al., 1995; Morgan and Hunt, 1994), relational norms in exchange (cf Heide and John, 1992; Ivens, 2006; Tuusjärvi and Möller, 2009) and the coordination mechanisms between firms (Alajoutsijärvi, et al., 1999; Medlin, 2003; Ritter, 2007). Evidently attitudinal aspects figure strongly in the formation of business networks, when a human perspective is taken of firms organizing. Still the issue of the actor, whether firm, business unit, manager or individual requires further research.

The two-fold nature of relationships, evident in a human ontological perspective, has a number of implications for business relationships and networks. First, that business relationships are composed of at least two points of view (cf Halinen, 1998; John and Reve, 1982; Malhotra, 2004) leads to interesting questions about the ability of managers to 'manage'. How is management achieved when the other party is free to also manage? Drucker's answer is the application of agreed objectives and respect for the other party. This answer has parallels in the concepts of relational norms and relational governance, and points to problems and issues with business relationship governance mechanisms based on power and hierarchy (Eliashberg and Michie, 1984). A second, and related, implication is the importance of communication (Andersen, 2001; Mohr and Nevin, 1990), dialogue (Ballantyne, 2004), alignment of goals (Stephen and Coote, 2007) and incentives (Ahuja, 2000) across a relationship. These issues are all of paramount theoretical and practical importance for 'management' of business relationships. With regard to multiple relationships and networks the degree of open communication and alignment of goals and incentives must have an influence on the tightness of linkages across a network of firms.

The two-fold nature of business relationships is evidently an important matter for future research in business networks, given its role in emergence; in creating the new. Emergence occurs between firms in the processes of interaction (cf Emirbayer, 1997; Emirbayer and Mische, 1998), between different and complementary perspectives that are part of the larger whole of a network. In this theoretical setting the goals of each relationship, the levels of communication and the alignment of incentives are necessarily important elements for future academic research. The two-fold nature is at the heart of the flexible nature of networks, that strength recognized by Cravens et al. (1996), which makes them a suitable form of organizing in a changing environment.

3.2 Evolutionary Perspective

The evolutionary perspective is a powerful analytic tool for understanding business relationships and networks as these phenomena exist through time (Medlin, 2004). We see many elements of an evolutionary perspective in relationship and network research.

The simple joining of two firms in a business relationship relies strongly on the right opportunities in the future (ie goals), and the right resource complementarity in the present. The nature of the situation, of the resource heterogeneity in the present, is important in creating opportunities for joined resources (Ahuja, 2000). The pathways of technological change and their expected outcomes all lead to types of path dependence that link firms together in networks that flow through time (Araujo and Harrison, 2002). Time and timing become important in this changed theoretical view of the business world (Hedaa and Törnroos, 2002).

Considerable research remains to be undertaken on conceptualizing time in a relationship and network perspective (cf Halinen, 1998). Relationship stages are present in the work of many researchers (cf Dwyer, Schurr, and Oh, 1987; Eggerta, et al., 2006). Equally other researchers seek a more dynamic perspective (cf Easton and Araujo, 1994; Murray and Kitchen, 2004). Each theoretical perspective has something to offer, but the lesson from Drucker is that we seek to explain an ever changing process, one were the future grows from the present, not in stages but by degrees of change. Researchers should apply more complex evolutionary models where relationship classes exist, but no pre-ordained ordering of growth of a relationship occurs (cf Batonda and Perry, 2003). The stage model of business relationships remains a teaching tool, but is neither theoretically or empirically sound.

In a similar manner the question of time intervals requires further research. Drucker already saw that time compression is an issue by industry. In a relationship and network perspective the role of variations in time and timing may lead to entirely new managerial concerns and different managerial planning tools (cf Möller and Svahn, 2003).

3.3 Pragmatic Perspective

Managers in business relationships and in networks of multiple relationships will always need to balance many different goals, with complementary and competing objectives laid out across time (cf Ehret, 2004; Geersbro and Ritter, 2010). Drucker recognized the basic issue of management concerning competing needs and took the only solution, be pragmatic, achieve the needs of the firm and respect your people. In a networked world this advice stands.

Conceptually all the activities undertaken by a firm are linked across firms to create an activity pattern for a network (Håkansson and Snehota, 1995). Also all the resources in a firm 'tie' across firms to create a resource constellation for a network (Håkansson and Snehota, 1995). Finally, the actors are bonded across firms to create an actor web for a network (Håkansson and Snehota, 1995). However, individual managers cannot see the whole network in which their firm is embedded (Holmen and Pedersen, 2003). For managers, this means taking a bounded view, building enough complexity into their understanding to allow action, to be able to prioritise objectives across time.

Research on bounded understandings of networks, so that managers are capable of 'managing' with other managers, has begun. The work of Möller, et al. (2005; 2003) develops the concept of strategic nets, bounded by the activity sequence directed to a

single class of customer. This approach offers important ways of conceptualising the strategic and tactical importance of different value nets, allowing managers to discuss and make decisions about resource priorities on the basis of competing objectives across different value nets. Drucker would agree with the pragmatism of this conceptual approach.

In a similar fashion a number of researchers have been examining the role of managers in networks and so developing useful concepts for managers. Jarrat (2004) proposes a relationship management process based on an infrastructure capability, a relationship learning capability and a behavioural capability for working in a relationship. Uzzi and Gillespie (2002) show that firms with strong social ties to a partner firm are better able to manage their performance. Westerlund and Raja (2010) show that explorative, rather than exploitative, learning processes within business relationships promote network development. Holmen and Pedersen (2003) discuss the influence of network horizons in the strategy of a firm and present three mediating roles of partner firms (i.e. as joiners, as relating and as insulators), with each affecting a managers understanding of the network and appropriate strategies. Mouzas and Naudé (2007) even suggest the idea of managers as network mobilizers. There remains considerable further research in understanding managers' roles within business networks.

The concept of network competency, developed by Ritter (1999), offers clear guidelines for managers. Importantly, Ritter, et al. (2002) also show that network competence and a marketing orientation are conceptually quite different and their research finds the two concepts have discriminant validity. Ritter (1999) shows that managers must set aside resources for managing relationships and understanding networks, an obvious point from a human perspective, for one must understand the complexity of a network to manage within it. The same research also shows that managers with access to many sources of information, through highly integrated intra-firm communication systems, are better able to manage in a network. Again such a result is evident from a human perspective, but these systems also need to be practical and timely. Finally, Ritter (1999) also indicates the importance of an open corporate culture in the development of network competence. Here the focus is on an ad-hoc culture where managers have a degree of autonomy and mistakes are accepted for their role in a learning process. These ideas parallel Drucker's (1996) perspective of management as a social and human process.

4. Conclusion

The business relationship and network world presents a number of new managerial problems that require further academic research. Drucker would argue that present and future are related; that present action requires network insight (Mouzas, et al., 2008), so that opportunities can be realized. Researchers have begun to develop business relationship and network concepts within the IMP framework; for example network sensing, relational embeddedness, partner integration, and network identity. Each of these ideas also provides managerial conceptual tools for thinking about and organizing business outcomes in a networked and global environment.

The distinction that “we cannot simply add [people] together, or subtract them from one another” (Drucker, 1954 pp.81), to arrive at performance has profound implications for managers in our fast changing commercial world. New methods of organizing are required to create faster more flexible work places. These new ways of organizing will require managers with new conceptual skills, but based on conceptualizations of humans working together. Drucker’s thoughts will remain contemporary because he based his work on a sound understanding of people.

References

- Ahuja, G. (2000), "The duality of collaboration: Inducements and opportunities in the formation of interfirm linkages", *Strategic Management Journal*, Vol. 21 No. 3, pp. 317-343.
- Alajoutsijärvi, K., Möller, K., and Rosenbröijer, C.-J. (1999), "Relevance of focal nets in understanding the dynamics of business relationships", *Journal of Business-to-Business Marketing*, Vol. 6 No. 3, pp. 3-35.
- Andersen, P.H. (2001), "Relationship development and marketing communication: An integrative model", *Journal of Business & Industrial Marketing*, Vol. 16 No. 3, pp. 167-183.
- Araujo, L. and Harrison, D. (2002), "Path dependence, agency and technological evolution", *Technical Analysis and Strategic Management*, Vol. 14 No. 1, pp. 5-19.
- Ballantyne, D. (2004), "Dialogue and its role in the development of relationship specific knowledge", *Journal of Business & Industrial Marketing*, Vol. 19 No. 2, pp.114-123.
- Batonda, G. and Perry, C. (2003), "Approaches to relationship development processes in inter-firm networks", *European Journal of Marketing*, Vol. 37 No. 10, pp. 1457-1484.
- Buber, M. (1923), *I and thou*, 2, Berlin, Schocken Verlag.
- Byrne, J.A. (2005), "The man who invented management," *BusinessWeek*, 28th November.
- Cravens, D.W., Piercy, N.F., and Shipp, S.H. (1996), "New organizational forms for competing in highly dynamic environments: The network paradigm", *British Journal of Management*, Vol. 7 No. 3, pp. 203-218.
- Drucker, P. (1994), "The theory of business", *Harvard Business Review*, Vol. 72 No. 5, pp. 95-104.
- Drucker, P. (1995), "The information executives truly need", *Harvard Business Review*, Vol. 73 No. 1, pp. 54-63.
- Drucker, P.F. (1954), *The practice of management*, New York, Harper Business.
- Drucker, P.F. (1979), *Adventures of a bystander*, New York, Harper and Row.
- Drucker, P.F. (1985), *Management: Tasks, responsibilities, practices*, New York, Harper Business.
- Drucker, P.F. (1996), "The shape of things to come," *Leader to Leader*, 1(1), 12-18.

- Dwyer, R.F., Schurr, P.H., and Oh, S. (1987), "Developing buyer-seller relationships", *Journal of Marketing*, Vol. 51 No. 2, pp. 11-27.
- Easton, G. and Araujo, L. (1994), "Market exchange, social structures and time", *European Journal of Marketing*, Vol. 28 No. 3, pp. 72-84.
- Eggerta, A., Ulagab, W., and Schultza, F. (2006), "Value creation in the relationship life cycle: A quasi-longitudinal analysis", *Industrial Marketing Management*, Vol. 35 No. 1, pp. 20-27.
- Ehret, M. (2004), "Managing the trade-off between relationships and value networks. Towards a value-based approach of customer relationship management in business-to-business markets", *Industrial Marketing Management*, Vol. 33 No. 6, pp. 465-473.
- Eliashberg, J. and Michie, D.A. (1984), "Multiple business goals sets as determinants of marketing channel conflict: An empirical study", *Journal of Marketing Research*, Vol. 21 No. 1, pp. 75-88.
- Emirbayer, M. (1997), "Manifesto for a relational sociology", *The American Journal of Sociology*, Vol. 103 No. 2, pp. 281-318.
- Emirbayer, M. and Goodwin, J. (1994), "Network analysis, culture, and the problem of agency", *The American Journal of Sociology*, Vol. 99 No. 6, pp. 1411-1454.
- Emirbayer, M. and Mische, A. (1998), "What is agency?" *The American Journal of Sociology*, Vol. 103 No. 4, pp. 962-1010.
- Friedman, M.S. (1960), *Martin Buber: The life of dialogue*, New York, Harper and Row.
- Geersbro, J. and Ritter, T. (2010), "External performance barriers in business networks: Uncertainty, ambiguity, and conflict", *Journal of Business & Industrial Marketing*, Vol. 25 No. 3, pp. 196-201.
- Gemünden, H.G., Ritter, T., and Walter, A., (Eds.) (1997), *Relationships and networks in international markets*, London, Pergamon.
- Geser, H. (1992), "Towards an interaction theory of organizational actors", *Organization Studies*, Vol. 13 No. 3, pp. 429-451.
- Gundlach, G.T., Achrol, R.S., and Mentzer, J.T. (1995), "The structure of commitment in exchange", *Journal of Marketing*, Vol. 59 No. 1, pp. 78-92.
- Håkansson, H., (Ed.) (1982), *International marketing and purchasing of industrial goods: An interactive approach*, Chichester, Wiley.
- Håkansson, H. and Snehota, I. (1989), "No business is an island: The network concept of business strategy", *Scandinavian Journal of Management*, Vol. 5 No. 3, pp. 187-200.
- Håkansson, H. and Snehota, I. (1995), "Developing relationships in business networks", London, International Thomson Business Press.
- Halinen, A. (1998), "Time and temporality in research design: A review of buyer-seller relationship models", in P. Naudé and Turnbull, P.W., (Eds.), *Network dynamics in international marketing*, Oxford, Elsevier Science, pp. 112-139.
- Hedaa, L. and Törnroos, J.-Å. (2002), "Towards a theory of timing: Kairology in business networks", in R. Whipp, Adam, B., and Sabelis, I., (Eds.), *Making time: Time and management in modern organizations*, Oxford, Oxford University Press, pp. 319-348.
- Heide, J.B. and John, G. (1992), "Do norms matter in marketing relationships?" *Journal of Marketing*, Vol. 56 No. 2, pp. 32-44.

- Holmen, E. and Pedersen, A.-C. (2003), "Strategizing through analyzing and influencing the network horizon", *Industrial Marketing Management*, Vol. 32 No. 5, pp. 409-418.
- Ivens, B.S. (2006), "Norm-based relational behaviours: Is there an underlying dimensional structure?" *Journal of Business & Industrial Marketing*, Vol. 21 No. 2, pp. 94-105.
- Jarratt, D. (2004), "Conceptualizing a relationship management capability", *Marketing Theory*, Vol. 4 No. 4, pp. 287-309.
- Johanson, J. and Mattsson, L.-G. (1987), "Interorganizational relations in industrial systems: A network approach compared with the transaction cost approach", *International Journal of Management and Organization*, Vol. 17 No. 1, pp. 34-48.
- John, G. and Reve, T. (1982), "The reliability and validity of key informant data from dyadic relationships in marketing channels", *Journal of Marketing Research*, Vol. 19 No. 4, pp. 517-524.
- Luhmann, N. (1979), *Trust and power*, New York, John Wiley.
- Malhotra, D. (2004), "Trust and reciprocity decisions: The differing perspectives of trustors and trusted parties", *Organizational Behavior and Human Decision Processes*, Vol. 94 No. 2, pp. 61-73.
- Mead, G.H. (1932), *The philosophy of the present*, Chicago, University of Chicago Press.
- Medlin, C.J. (2003), "A dyadic research program: The interaction possibility space model", *Journal of Business-to-Business Marketing*, Vol. 10 No. 3, pp. 63-79.
- Medlin, C.J. (2004), "Interaction in business relationships: A time perspective", *Industrial Marketing Management*, Vol. 33 No. 3, pp. 185-193.
- Medlin, C.J. (2006), "Self and collective interest in business relationships", *Journal of Business Research*, Vol. 59 No. 7, pp. 858-865.
- Medlin, C.J. and Törnroos, J.-Å. (2007), "Inter-firm interaction from a human perspective", *Finanza Marketing & Produzione*, Vol. No., pp. 41-56.
- Miles, R.E. and Snow, C.C. (1986), "Organizations: New concepts for new forms", *California Management Review*, Vol. XXVIII No. 3, Spring 1986, pp. 62-73.
- Mohr, J. and Nevin, J.R. (1990), "Communication strategies in marketing channels: A theoretical perspective", *Journal of Marketing*, Vol. 54 No. 4, pp. 36-51.
- Möller, K., Rajala, A., and Svahn, S. (2005), "Strategic business nets - their type and management", *Journal of Business Research*, Vol. 58 No. 9, pp. 1274-1284.
- Möller, K. and Svahn, S. (2003), "Managing strategic nets: A capability perspective", *Marketing Theory*, Vol. 3 No. 1, pp. 209-234.
- Morgan, R.M. and Hunt, S.D. (1994), "The commitment-trust theory of relationship marketing", *Journal of Marketing*, Vol. 58 No. 3, pp. 20-38.
- Mouzas, S., Henneberg, S., and Naudé, P. (2008), "Developing network insight", *Industrial Marketing Management*, Vol. 37 No. 2, pp. 167-180.
- Mouzas, S. and Naudé, P. (2007), "Network mobilizer", *Journal of Business & Industrial Marketing*, Vol. 22 No. 1, pp. 62-71.
- Murray, P.J. and Kitchen, P.J. (2004), "Constructing futures in new attractors", *Marketing Intelligence & Planning*, Vol. 22 No. 3, pp. 321-334.

- Naudé, P. and Turnbull, P.W., (Eds.) (1998), *Network dynamics in international marketing*, Oxford, Elsevier.
- Perrow, C. (1981), "Markets, hierarchies and hegemony", in A. Van de Ven and Joyce, W.F., (Eds.), *Perspectives on organization design and behaviour*, NY, Wiley-Interscience, pp. 371-381.
- Perry, C., Cavaye, A., and Coote, L. (2002), "Technical and social bonds within business-to-business relationships", *The Journal of Business & Industrial Marketing*, Vol. 17 No. 1, pp. 75-88.
- Powell, W.W. (1987), "Hybrid organizational arrangements: New form or transitional development?" *California Management Review*, Vol. 30 No. 1987, pp. 67-87.
- Ritter, T. (1999), "The networking company: Antecedents for coping with relationships and networks effectively", *Industrial Marketing Management*, Vol. 28 No. 5, pp. 467-479.
- Ritter, T. (2007), "A framework for analyzing relationship governance", *European Journal of Marketing*, Vol. 22 No. 3, pp. 196 - 201.
- Ritter, T., Wilkinson, I.F., and Johnston, W.J. (2002), "Measuring network competence: Some international evidence", *The Journal of Business & Industrial Marketing*, Vol. 17 No. 2, pp. 119-138.
- Smith, R.G.T. (1958), *I and thou: Martin Buber*, 2nd Ed., Edinburgh, T. and T. Clark.
- Stephen, A.T. and Coote, L.V. (2007), "Interfirm behavior and goal alignment in relational exchanges", *Journal of Business Research*, Vol. 60 No. 4, pp. 285-295.
- Thorelli, H.B. (1986), "Networks: Between markets and hierarchies", *Strategic Management Journal*, Vol. 7 No. 1, pp. 37-51.
- Tuusjärvi, E. and Möller, K. (2009), "Multiplicity of norms in inter-company cooperation", *Journal of Business & Industrial Marketing*, Vol. 24 No. 7, pp. 519-528.
- Uzzi, B. and Gillespie, J.J. (2002), "Knowledge spillover in corporate financing networks: Embeddedness and the firm's debt performance", *Strategic Management Journal*, Vol. 22 No. 7, pp.
- Westerlund, M. and Rajala, R. (2010), "Learning and innovation in inter-organizational network collaboration", *Journal of Business & Industrial Marketing*, Vol. 25 No. 6, pp. 435-442.
- Wilkes, G.A. and Krebs, W.A., (Eds.) (1985), *Collins concise english dictionary*, Sydney, Collins.
- Young, L.C. and Wilkinson, I.F. (1997), "The space between: Towards a typology of interfirm relations", *Journal of Business-to-Business Marketing*, Vol. 4 No. 2, pp. 53-97.
- Zafirovski, M. (1999), "A socio-economic approach to market transactions", *Journal of Socio-Economics*, Vol. 28 No. 3, pp. 309-334.