What Drives Business Transformation?

Evidence from Manufacturer-Retailer Networks

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Citation:

Mouzas, S. (2022) What Drives Business Transformation? Evidence from Manufacturer-Retailer Networks. *Journal of Business Research,* 143:282-293

While it is well established in literature that firms innovate and transform themselves in the face of discontinuous change, our knowledge of what drives business transformation remains limited. How and why are firms able to transform themselves and what are the implications for our body of knowledge? To understand what drives business transformation, we need to look into firms' abilities to reconfigure resources in order to innovate. The resources that firms need to transform themselves are usually not available within the organization. Business transformation appears to be a contingent phenomenon that requires the efficacy of interactions between firms within a multiplicity of entitlements. Interactions explain *how* firms pursue business transformation. Entitlements explain *why* firms are able to pursue business transformation. This study offers new insights into the transformative potential of entitlements as a bundle of *rights, duties* and *capabilities* that firms possess, acquire, and transfer to other business actors in order to transform their businesses.

Keywords: Discontinuous change, Transformation, Entitlements, Interaction, Networks

INTRODUCTION

Business transformation is a central theme in business research. Firms are often prompted to transform their businesses in the face of a discontinuous change (Anastasi et al., 2012; Bellini, Era & Verganti, 2012; Giones et al., 2020; Verhoef et al., 2021). Business research makes the case that discontinuous changes, such as natural catastrophes, pandemics, technological shifts and economic crises may put the survival of firms at risk (Izumi et al., 2019; Nadler, 1995; König, Graf-Vlachy & Schöberl, 2021; Reeves & Lang, 2020; Shaw, 2020; Schmidt, 2017). While it is well established in literature that in the face of discontinuous change, firms need to innovate and transform themselves, our knowledge of what drives business transformation remains limited.

The ability of firms to transform themselves in the face of discontinuous change appears to be contingent (Bellini et.al., 2012; Giones et al., 2020; Michel et al., 2019; Birkinshaw, Zimmermann & Raisch, 2016; Lant & Mezias, 1990; Meyer, Brooks & Goes, 1990; Verhoef et al., 2021). Research evidence indicates that firms' transformations are contingent because each business transformation does not stand in isolation but involves actions and reactions in interconnected business relationships (Kaar & Stary, 2019; Michel et al., 2019). Yet, we know very little about the contingent nature of business transformation. Our motivation in this research stems from our limited knowledge in addressing the following research questions:

1) How is business transformation pursued in business networks?
2) Why are firms able to transform themselves in business networks?
3) What are the implications of business transformation?

We use the term *network* as a metaphor to capture the connectivity between firms. No business is an island; instead, businesses are embedded in networks of interconnected exchange relationships (Anderson, Håkansson & Johanson 1994; Håkansson & Snehota, 1989; Kaar & Stary, 2019). Addressing our research questions, we conducted empirical research between March 2018 and September 2020 to examine what drives business transformation in manufacturer-retailer networks in the United Kingdom.

Our contribution will show that business transformation is pursued through processes of interaction within a multiplicity of entitlements. *Entitlements* specify the rights that business actors may possess, acquire, and transfer to other actors (Bromley, 1992; Hoffman & Spitzer, 1985; Leach, Mearns & Scoones, 1999; Sen, 1984). Our contribution advances our knowledge of what drives business transformation in three ways: Firstly, *interactions* in networks of business relationships explain *how* firms pursue business transformation. Firms are not self-sufficient but need the resources of other firms to transform their operations (Verhoef et al., 2021). While many analyses of business transformations tend to be from the perspective of a single firm (Rouse, 2005), *interaction* allows us to examine the process by which firms secure access to dispersed resources that they need for their business transformation, but which other firms are *entitled* to use. Secondly, *entitlements* to resources offer a theoretical lens that adds to our understanding of what drives business transformation. Entitlements establish a connection between actors and resources. Entitlements matter because they specify what actors are entitled to possess, acquire, and transfer to other actors (Morris, 1992). Therefore, entitlements can empower firms in networks of exchange relationships; they are the currency that firms bring into their interaction with other firms. What is ultimately exchanged between firms is not simply resources but certain rights to resources. Therefore, entitlements move interaction beyond the sphere of dialogue to include what firms are entitled to possess, acquire, and transfer to other actors. Firms will use their entitlements as a means to claim value in networks of exchange relationships. Thus, entitlements can help us understand *why* firms are able to pursue business transformation in networks of exchange relationships. Thirdly, the implications for our body of knowledge are significant because they point to business transformation as a contingent phenomenon that requires the efficacy of interactions within multiple entitlements. Our contribution delivers a theoretical foundation of what drives business transformation, provides in-depth empirical insights in the context of manufacturer-retailer networks, and suggests directions for future research.

BUSINESS TRANSFORMATION THROUGH INTERACTION

Global phenomena, such as rapid technological changes, de-carbonization, digitization, natural disasters, pandemics, and shifting economic, social, and cultural conditions may create discontinuous changes. A discontinuous change is a '*rupture with the past in a social system*' (Becker, 2000, p. 36). Research evidence shows that firms need to adapt to discontinuous changes and pursue transformations in the way they operate (Birkinshaw et al., 2016; Lant & Mezias, 1990; Meyer, Brooks & Goes, 1990; Nadler, 1995; König et al., 2021; Verhoef et al., 2021).

Previous research suggests that actors are better able to accomplish transformations together rather than acting individually (Nowak, 2006; Ostrom, 2017). In the business world, actors interact with other actors to access the resources they need to pursue business transformations, and thus adapt to discontinuous change. It appears that interaction is a substantial process that involves the *resources*, the *activities* and the *actors* themselves (Håkansson & Waluszewski, 2020; Ford & Mouzas, 2013). Thus, it is through interaction that *actors*, *resources* and *activities* will relate to each other. Business research shows that interaction exhibits some distinct conceptual dimensions (see Table 1).

Insert Table 1 about here

It is through interaction that firms sense discontinuous change and shifting customer needs; and it is through interaction that firms secure access to dispersed resources in business networks to implement fundamental shifts or realignments of their business. Through interaction, firms may develop distributed and participatory routines (Ferraro, Etzion & Gehman, 2015) and move on towards an inclusive and resilient society (Shaw, 2020). Consider for example, the interaction among firms to pursue a *digital transformation* (Verhoef et al., 2021) or the polycentric, bottom-up interactions among multiple stakeholders to transform themselves in the face of climate change (Ostrom, 2017). Seen in this light, interaction among firms includes a series of events and episodes unfolding over time (Andersen, Medlin & Törnroos, 2020; Bizzi & Langley, 2012; Michel et al., 2019). For this reason, business transformation is not an instantaneous event of a shift or realignment of business but involves a number of distinct *interaction patterns* that need to be identified (Håkansson & Waluszewski, 2020; Crick & Crick, 2020; Czakon et al., 2020).

Interaction represents an opportunity for firms to *explore heterogeneity* (Håkansson & Waluszewski, 2020), overcome cultural, organizational, and technological *barriers to* *business transformation* (Bellini, Era & Verganti, 2012; Veal & Mouzas, 2012), develop a *communicative rationality* (Habermas, 1981, 1990), and build *consensus* in business networks (Mouzas & Ford, 2018; Susskind et al., 2020). For example, consider the role of building consensus in achieving grassroots innovation, i.e., addressing the needs of customers who fall at the bottom of the pyramid. As Gupta (2020 p. 941) cogently put it "the world cannot be better if 5 billion of the world's population fall within the base of the pyramid and are underserved". Because interactions involve a series of events and episodes, it is likely that interactions will aggregate over time, generate, disrupt and sustain institutions (Gray, Purdy & Ansari, 2015). For this reason, interactions contribute to a "balance between a techno-centric and human-centric society" (Shaw, 2020, p. 424).

The crucially missing element in the narrative of business transformation is that interaction between firms transcends dialogues. Interaction involves the resources that actors are entitled to use in order to pursue business transformation. We know from previous research that actors' ability to design transformative solutions to the problems they face is positively related to *design expertise*, i.e., "the ability to put into practice a certain level of competences" (Casakin & Levy, 2020 p. 334). Yet, we know very little about what enables actors to acquire, possess, and transfer expertise to pursue business transformation. While previous research shows that firms are capable to adapt to others and transform their business (Crick & Crick, 2020; Czakon et al., 2020; Hallen et al., 1991) questions remain about how firms are able to transform their business through interactions. Previous research indicates that firms that embraced opportunities in the face of a discontinuous change were usually those which were prepared by their pre-history, i.e. their prior relationships that enabled them "access to relevant and idiosyncratic resources" (Denrell, Fang & Winter, 2003 p. 977). Certainly, access to the resources of others is possible because actors are embedded in networks of relationships (Baraldi, Gregori & Perna, 2011; Gnyawali & Madhavan, 2001;

Uzzi, 1997). Yet, relationships matter more in creating value than claiming value (Lepak, Smith & Taylor, 2007; Wagner et al., 2010). Previous research does not explain sufficiently why actors are able to transform their business through interaction in business networks.

ENTITLEMENTS AS ENABLERS OF BUSINESS TRANSFORMATION

In the face of discontinuous change, e.g. adversities, climate change, and advances in technology, and economic crises, firms need to pursue fundamental changes or realignments in the way they operate. Yet, the resources that firms need, in order to transform their businesses, are not distributed evenly among actors (Baraldi, Gressetvold & Harrison, 2012). Entitlements to resources specify the rights that actors may possess, acquire, and transfer to other actors (Bromley, 1992; Hoffman & Spitzer, 1985; Leach, Mearns & Scoones, 1999; Morris, 1992; Sen, 1984). The entitlements that firms need to be able to transform their businesses are not restricted to tangible assets. Entitlements include *market-based assets* e.g. brands, channel relationships and reputations (Srivastava, Shervani & Fahey, 1998), as well as *knowledge-based resources,* e.g. intellectual property, know-how, and information (Mouzas & Ford, 2012; Varadarajan, 2020). Empirical evidence suggests tangible assets of S&P 500 firms in 2015 represented only 16% of their market capitalization, compared to 83% in 1975 (Haskel and Westlake, 2018).

The rights to resources that actors may possess, acquire, and transfer to other actors enable them to engage in exchange relationships with other actors, e.g. firms may seek access to the know-how of other firms in order to pursue a digital transformation (Gupta & Bose, 2019; Verhoef et al., 2021). Some of these resources, e.g. knowledge or design, may be seen by actors as ‘non-rival goods’ (Cornes & Sandler, 1986). The non-rivalry of these resources means that the use of knowledge-based resources to pursue a business transformation by one actor does not limit their use by another actor.

Actors bring entitlements into their exchange relationships in various forms (Hohfeld, 1913; Kahneman, Knetsch & Thaler, 1986; Morris, 1992). Table 2 provides an overview of the conceptual dimensions of entitlements.

Insert Table 2 about here

The work of Hohfeld (1913) was fundamental, as he conceptualized entitlements as *rights*, *privileges*, *powers* and *immunitie*s. In the Hohfeldian framework of entitlements, to have a right means that others have a corresponding duty. Building on Hohfeld (1913), previous research looked at entitlements as a bundle of rights protected by *property rules*, *liability rules* and *inalienable rules* (Calabresi & Malamed, 1972). Entitlements protected by property rules must be acquired through voluntary transactions. Property rights came into being when people started to transform some elements of natural resources combining their own labor, e.g. transforming land for agriculture and farming. Entitlements protected by liability rules involve collective decisions regarding the value of the entitlement, e.g. society’s decisions. Entitlements protected by *inalienable rules* are certain human rights that cannot be forfeited. Interestingly, scholarly work has expanded the application of entitlements to *justice*

(Hoffman & Spitzer, 1985), *environmental goods* (Leach, Mearns & Scoones, 1999), *fairness* (Kahneman et al., 1986) and *capabilities* (Nussbaum, 2003; Sen, 1981, 1999). For example, individuals and organizations may be entitled to and claim environmental goods or services that are instrumental to their well-being (Leach, Mearns & Scoones, 1999). Community standards of *fairness* are another example of *entitlements in the market* (Kahneman et al., 1986). Furthermore, *capabilities* (Nussbaum, 2003; Sen 1984, 1981) comprise what an actor can "command in a society using the totality of rights and opportunities that he or she faces" (Sen, 1984, p. 497).

Expanding the application of entitlements opens the door to investigating some intriguing effects. It appears that people tend to value things that are already part of the resources they own more than things that could be added to their ownership but not yet owned. This *endowment effect* (Kahneman, Knetsch, and Thaler, 1991) may have a pronounced influence on people's behavior in business transformations. The endowment effect prompts people to demand a surplus in order to give up an entitlement to a resource that is part of their endowment (Ashworth et al., 2019). For this reason, when actors engage in exchange relationships, they utilize their entitlements as the means to claim value above and beyond the opportunity cost (Lepak, Smith & Taylor, 2007; Wagner et al., 2010).

The idea of entitlements appears to be relevant for understanding *why* firms are able to pursue business transformation in networks of exchange relationships. Entitlements are *a bundle of rights* to resources that enable actors to engage in activities (Smith, 2019). Entitlements inform business transformation by establishing a connection between actors pursuing business transformation and entitled resources. Thus, entitlements move interactions beyond the sphere of dialogues to include the resources that actors are entitled to possess, acquire, and transfer to other actors. In this way, the entitlements that actors bring into their interaction with others enable them to engage in exchange processes that make them capable to transform resources, activities and themselves.

SETTING AND METHODS

Contextual setting: Manufacturer-retailer networks were chosen for investigation because of their significance in the economy in the UK, generating an annual turnover of £205 billion which is a 6.7% increase in 2020 compared to the previous year and achieving an annualized growth of 6.2% during the period 2015-2020. The industry comprises manufacturers of consumer goods, grocery retailers, as well as their partners such as market research agencies and service providers.

The firms included in this research (see Figure 1) are part of a larger manufacturer-retailer network. The names of the firms are anonymized in order to preserve confidentiality. Manufacturers Alpha, Beta and Lambda are producers of consumer and pharmaceutical goods. These manufacturers have a wealth of resources in R&D, Production and Marketing of reputable brands that meet customer needs. Retailers Sigma, Epsilon and Phi are retail chains that supply ca 4800 supermarkets, 2700 discounters, 3000 convenience shops, and 7300 petrol stations. Retailers Sigma and Epsilon focus on large hypermarkets with a size that exceeds 4000 square meters while retailer Phi operates discount outlets. Retailers Sigma, Epsilon and Phi consider themselves as the ambassadors of consumer demand. One of the early insights of this research was the observation that because of the complex interdependencies within manufacturer-retailer networks, the primary concern of the manufacturers and retailers was not with the specific products or services but rather with obtaining certain rights to access resources at multiple levels of interface.

Insert Figure 1 about here

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Data Collection: By using case study research methods (Easton, 2002; Halinen & Törnoos, 2005; Ridder, 2017), we collected data on business transformation of three manufacturers and three retailers in the UK. The rationale for this sample was to 1) establish a balance between producers and service providers and 2) ensure that interaction among manufacturers and retailers was captured. Table 3 provides an overview of the multiple sources of evidence considered in this study.

Insert Table 3 about here

Data were collected between March 2018 and October 2020 in sixty-eight interviews and four workshops each with ten senior managers. Each interview lasted for ca. 1 hour and interviewees included business managers, such as Managing Directors, Business Unit Directors, Key Account Managers, Marketing Managers, Purchasing Managers, Supply Managers and Logistics Managers. During the pandemic in 2020, we conducted four online workshops, via interactive stakeholder engagement and knowledge exchange (Phillipson et al., 2012; Izumi et al., 2019). Each workshop included 10 participants and lasted ca. 3 hours. Workshops were carried out via Microsoft Teams during the lockdown period in 2020.

We obtained more formal material, such as emails, protocols, anonymized contracts, standard terms & conditions, business plans, corporate reports. Furthermore, we logged field observations (including impromptu chats and meetings) shortly after they occurred. A total number of 520 records were collected. We retained electronic copies of reports and inter-firm agreements that we received via e-mail. The collection of archival records such as anonymized contracts and agreements was a novel method to move beyond seeking subjective views obtained through interviews and examine artefacts of business transformation. Archived records enabled us to carry out a closer examination and triangulation of primary sources of data.

Data Management Plan: Considering the classification of data and ensuring that the data generated were archived successfully, we moved to a research data management plan, specifically:

1. Assessment of secondary data on business transformations has been considered; the Economic and Social Research Council (ESRC) data bases from Research and Innovation UK, Eurostat, EU ETS, the European Environment Agency (EEA), and the United Nations (UN) have been used to obtain contextual data on the socio-economic discontinuities, regulations, carbon emissions, the structure of competition and taxation. These datasets provide valuable contextual input; however, they were not sufficient to adequately unearth how and why firms transform their business when they face discontinuous change.

2. Collected data on business transformations in manufacturer-retailer networks were archived in Open Document Format (ODF) and were classified at three embedded layers of evidence that move gradually from the general context to specific empirical insights: The first layer consisted of 520 archived records, e.g. emails, protocols, framework contracts, standard terms and conditions, investment plans, and corporate reports. The second layer consisted of 68 interview transcripts with key informants, minutes from four research workshops, and observation notes. The third layer consisted of a comprehensive report that includes details about the firms' interests, the problems encountered and initiatives taken. The unit of observation that bound all data was a manufacturer-retailer network in the UK.
3. Quality assurance of data was considered in the data collection, data entry and data checking. Clear roles and administrative research support were assigned to ensure standardized protocols for capturing observations, using data entry screens, code lists, transcription templates and detailed labelling of variables. Data was verified and validated internally and externally by research participants and cross-checked. All collected data was backed up and protected securely. A purpose-built database to organize, file and share collected data was encrypted and sensitive data was anonymised and handled with care when information was stored and transmitted.

Data Analysis: From October 2020 to January 2021, we moved from data collection to data analysis. Data analysis was abductive, i.e., this involved an active interplay between theoretical ideas and empirical evidence (Tavory & Timmermans, 2014). Data analysis involved critical examination, evaluation, categorization, and recombination of the data. As business transformations unfold over time, we classified the obtained evidence in different phases: *Discontinuities, Trials, and Roll-out*. This was possible because our empirical observations had been entered into a chronological list of events and episodes, and this served as a filter and index to the wider set of observations. The unit of analysis was the network of continuing relationships between three manufacturers and three retailers and their partners such as market research agencies or decarbonization specialists. This network ontology is consistent with a realist epistemology (Easton, 2002; Hodgkinson & Starkey, 2012). Classifying the evidence obtained through interviews, workshops, reports, protocols, and archived records, we identified concepts related to what drives business transformation that we explored in more depth. We faced the problem of complexity as we were dealing with a multiplicity of concepts. We followed the advice of anonymous reviewers to increase our focus of our analysis. Thus, we reduced the number of first-order concepts to six: *rights, duties, capabilities, process, events and consent*. Then we moved on from first-order concepts contained in the empirical evidence to second-order concepts *entitlements, interaction* and then to the aggregate concept of *business transformation.* Figure 2 provides an overview of how we move from first-order concepts to second-order concepts and then to the aggregate concept of business transformation.

Insert Figure 2 about here

To ensure rigor and trustworthiness, we recorded and reported the process by which data were generated. We scrutinized the credibility, transferability, dependability, and confirmability of our findings through prolonged and varied fieldwork, triangulation, theoretical sampling, and peer examination. To check the validity of our explanations, we conducted feedback interviews. This feedback proved relevant in fine-tuning our explanations and testing the internal validity and trustworthiness of the findings.

TRANSFORMATION AT MULTIPLE LEVELS OF INTERFACE

In the face of environmental degradation, growing social inequalities, and economic crises, manufacturers and retailers pursued business transformation at multiple levels of interface. Yet, the resources that manufacturers and retailers needed to transform their businesses were not distributed evenly. Firms were entitled to specific resources but they also lacked entitlements to other resources that they needed. In order to pursue business transformations, manufacturers Alpha, Beta, and Lambda and retailers Sigma, Epsilon and Phi needed to interact with each other.

Interaction in manufacturer-retailer networks involves recurrent events and episodes. For example, annual trade negotiations take place between September and December. Quarterly business reviews take place every three months to jointly assess business performance. Interaction among firms may start at any time when manufacturers or retailers introduce proposals for business transformation to their suppliers or customers. Through these proposals, manufacturers and retailers bring concrete issues and ideas to the negotiation table. Issues often refer to problems that arise from discontinuous change, such as decarbonization, digitization, or shifting market conditions. Ideas refer to proposed business transformations in areas of product assortment, the launch of new products or services, price changes, the roll-out of e-businesses, the reshuffle of logistics, digitalization of the supply chain and circular economy. Proposed business transformations could involve new collaborations, demands for test markets, requests for changes in the supply chain, offers and counteroffers. This interaction process involves counterparts' entitlements to resources, i.e. rights, corresponding duties, as well as capabilities. If there is a joint consent, manufacturers and retailers will proceed to new or altered exchanges that transform their businesses. Thus, interaction among manufacturers and retailers involves events and episodes in which counterparts receive and give consent to proposed business transformations. Business transformations have been identified at seven levels of interface: 1) *Research & Development*, 2) *New Markets,* 3) *Private Labels*, 4) *Consumer & Shopper Insights*, *5*) *Efficient Consumer Response, 6) Digital Supply Chain, 7*) *Circular Economy* (see Table 4).

Insert Table 4 about here

Manufacturers Alpha, Beta, and Lambda and retailers Sigma, Epsilon and Phi possessed capabilities in market research, R&D and production; thus, they have been able to sense the urgent need to transform their businesses in sustainable ways and develop fundamentally new products and processes. Retailers Sigma, Epsilon and Phi possessed capabilities in retailing but lacked specific resources, such as laboratories, technologies, and expertise in developing new sustainable products and services. Moreover, retailers needed to acquire new resources to develop online business and collaborate with manufacturers and independent research centers to access resources to ecological and sustainable products.

While manufacturers Alpha, Beta, and Lambda were able to capitalize on their entitlements to resources, such as intellectual property and patents to develop and launch innovative environment-friendly brands, retailer Sigma capitalized on their entitlements to private labels to develop fair trade and launch premium private labels of sustainable products. Since 1994, retailer Sigma had been selling fair trade licensed products, such as chocolates, coffee, bananas, and flowers ensuring better prices, decent working conditions, local sustainability, and fairness and dignified life for farmers and workers in the developing world. But pursuing *fair trade* required significant investments akin to developing a new market that involves interactions with different suppliers, different standards and certifications, and transformed supply chains. In 2020, retailer Sigma prided itself in transforming their operations to become the world's leading retailer in *fair trade* generating revenues of more than £300 million.

"*In 2020 we have undoubtedly become the world's largest retailer of fair trade*", Category Manager Retailer Sigma.

Retailers Sigma, Epsilon, and Phi aimed at transforming their product assortment to promote private labels. As the retailers did not have manufacturing facilities and brand management skills, they needed the resources of the manufacturers to pursue premium brands, joint branding, as well as sustainable private labels. To pursue a transformation of product assortments, manufacturers and retailers needed the *consumer insights* generated by market research agencies as well as the *shopper insights* generated by scanner data and CCTV (Closed-Circuit Television) at the point of sale. Data on *consumer insights* included information on consumer behavior, trends and consumption patterns, as well as panel data regarding consumer-offtakes. Manufacturers acquired data on *consumer insights* from market research agencies. In contrast, retailers relied on *shopper insights* at the point of sale. Retailers were entitled to their scanner data and all information generated at the point of sale but manufacturers had no rights to scanner data and needed to acquire the right to access retailers' *shopper insights*.

Efficient Consumer Response was an interface framed under the notion of transforming the whole manufacturer-retailer network to be accountable to consumers. Specifically, retailers Sigma, Epsilon, and Phi and manufacturers Alpha, Beta and Lambda pursued radical business transformations to enhance *efficient product introductions* and *efficient promotions*. Business transformation in these two areas relied on an *Electronic Data Interchange* between firms. Retailers and manufacturers needed to negotiate the exact format of their electronic data interchange. Retailers Sigma, Epsilon, and Phi and manufacturers Alpha, Beta and Lambda agreed on business transformations restricted to an electronic data interchange at a central warehouse level.

Retailers Sigma, Epsilon and Phi considered a *Continuous Stock Replenishment* as their entitlement in retail business, i.e. as their right that retail shelves are replenished continuously by their suppliers in line with consumer offtakes. The benefit of a continuous stock replenishment is the avoidance of out-of-stock in retailing. In contrast, manufacturers Alpha, Beta and Lambda considered the management of their production and inventory levels as their own entitlement, i.e. their right to control production and inventory levels and run trade promotion and merchandising activities that result in increased stock levels at the point of sale. Following their annual trade negotiations, manufacturers Alpha, Beta and Lambda proceeded to business transformations that ensured a continuous stock replenishment of retailers' warehouses but manufacturers kept their right to manage their own inventory. Manufacturers' transformation was labelled *Vendor Managed Inventory* because it allowed them to manage their production and inventory and run trade promotions that affect the retailer's stock level. Retailers Sigma, Epsilon, and Phi proceeded to business transformations that established a continuous stock replenishment from retailers' warehouses to retail shelves. Yet, retailers' transformation did not transfer power to retailers to manage manufacturers' inventory.

Developments in *circular economy* were rapid. A circular economy discloses and designs out the negative impact of firms' activities that may cause harm to human health and the natural environment. The UK statistical data from 2020 indicate that 67.2% of packaging waste was either recycled or recovered. It is estimated that greenhouse gas emissions in the UK could be reduced by 7.4 million tons annually by keeping organic waste out of landfills. Moreover, market research indicated a shift of consumer demand towards environment-friendly products. Retailers, as the ambassadors of consumer demand, regarded that it was their duty to protect human health and the natural environment by promoting the *certified sustainability of products, reusability, durability, and recyclability* of products. Similarly, manufacturers regarded that it was their duty to transform their product portfolio in sustainable ways to address consumer needs. For this reason, manufacturers Alpha, Beta and Lambda incorporated sustainability into all new product development and packaging design.

"As a firm we have a duty to incorporate the environmental variable in all product development", Key Account Manager, Manufacturer Alpha.

While manufacturers Alpha, Beta and Lambda were willing to address retailers' demand for environment-friendly products, they considered the retailers' proposals for *fair trade* to be incompatible with their exclusive rights to manufacturer brands. Moreover, manufacturers Alpha, Beta and Lambda regarded that it was their right to set wholesale prices in line with their production costs. The right to set wholesale prices enabled manufacturers to control a mark-up between 25% and 50%. On the other hand, retailers had the right to set consumer prices. Be that as it may, due to an intensified competition with discount retailers and online businesses, retailers needed to reduce consumer prices, Thus, retailers operated with squeezed profit margins, ranging between 2% and 5%.

For manufacturers, distribution channels were not a property that they owned. Manufacturers needed to obtain the right to distribute their brands, i.e. they needed to obtain product listing for their brands and ensure the availability and promotion of their brands on retailers' shelves. For retailers, the idea of transforming their assortment to include private labels appeared attractive. Thereby, retailers needed to access the resources of manufacturers, e.g. production facilities and know-how. But manufacturers considered retailers' entitlements to private labels as incompatible with their entitlements to brands. Manufacturers were reluctant because property rights of private labels, i.e. design, intellectual property and brand names were commonly owned by retailers. Entitlements to private labels would transform manufacturers to "mere producers" and, thereby, manufacturers would lose their right to set wholesale prices and secure high operating margins.

"We are a manufacturer of branded products. Engaging in private labels would transform us to mere producers for retailers", Key Account Manager, Manufacturer Beta.

In the face of discontinuous change, retailers Sigma, Epsilon and Phi considered their entitlements to private labels as an enabler to transform their assortment, i.e. increase the proportion of ecological products, organic products, refill packs, recyclable or biodegradable packaging. The Covid-19 pandemic in 2020 increased consumers' demand for private labels as they offered a price advantage of up to 50% versus full priced brands. Moreover, the Covid-19 pandemic increased consumers' demand for healthy products. Capitalizing on consumers' demand for healthy products, retailer Sigma transformed their operations to develop their capability to sell fresh fish sourced from fisheries which are managed sustainably, so that fishing minimizes the environmental impact whilst fish populations remain healthy. For this reason, retailer Sigma developed a close collaboration with an international marine certification body, which promotes seafood traceability and a sustainable fishery.

"*We have a duty to source healthy products*" Category Manager, Retailer Sigma

"We transform our operations to sustain our position as the best sustainable seafood retailer worldwide", Marketing Manager, Retailer Sigma.

As retailers Sigma, Epsilon and Phi were transforming their retail operations by extending *Efficient Consumer Response* and embracing *Digital Supply Chains* and *Circular Economy*, manufacturers Alpha, Beta and Lambda were transforming their product portfolio by developing and relaunching their brands in new product categories and markets. Manufacturers' transformations of product portfolios were pursued through intensive interactions with retailers. Retailer Epsilon's business focus was traditionally on large hypermarkets but after the economic crisis in 2007-2008, the retailer expanded to supply smaller supermarkets, convenience shops and petrol stations. Due to growing economic and social inequalities, the competition with discount retailers was intensifying. Retailer Epsilon sensed the need to become price-competitive and attract low-income consumers to their outlets. Retailer Epsilon's response to these discontinuous changes was to capitalize on the experience of reputable and trusted suppliers, such as manufacturer Alpha. For this reason, in October 2010 retailer Epsilon negotiated with manufacturer Alpha the following deal: Retailer Epsilon appointed manufacturer Alpha as *Category Captain* and agreed to generate several trials in category management with the purpose of redesigning planogram and merchandising. Successful trials served as pilot studies for rolling out full-blown business transformations in the areas of *Category Management, Electronic Data Interchange and Digital Supply Chains* in 2018 and 2019.

The implications of these business transformations were beneficial for retailers and manufacturers. Retailer Epsilon was able to access the resources and expertise of manufacturer Alpha in brand management, while manufacturer Alpha could exercise more influence on distribution planogram and trade promotions at retail level. Manufacturer Alpha knew how to obtain reliable market research data but their *shopper insight* (consumers' behavior as shoppers) were limited. As a result of the intensive interaction with retailer Epsilon, manufacturer Alpha gained access to scanner data and information at the point-of-sale and developed *shopper insight* regarding new price-attractive products that make the existing competitors' products obsolete. For manufacturer Alpha, capitalizing on their access to retailer Epsilon's resources provided the basis for initiating a new shelf design and brand visibility in retail outlets. Moreover, manufacturer Alpha was able to relaunch three brands with a smaller pack size and a more attractive price to attract price-sensitive consumers. Manufacturer Alpha's new products were supported by retailer Epsilon with special promotion displays and visibility at the point of sale in return for incremental trade allowances that manufacturer Alpha had to pay to retailer Epsilon.
"Consumer off-takes within retailer Epsilon were 20% higher in 2019 compared to a year ago", Key Account Manager, Manufacturer Alpha.

Retailer Phi's business focus was on discount outlets. The company had doubled the number of discount outlets from 300 to 600 within a decade from 2008 to 2018. In contrast to other retailers that worked with manufacturers to run temporary price reductions and promotions, retailer Phi claimed an '*everyday low price'* from manufacturers. Manufacturers' premium brands were based on a policy known in the market as "price up and spend back*"*. In practice, this meant that manufacturers of premium brands increased prices in January each year and used a part of the incremental margin to spend back through temporary price reductions and promotions. For this reason, since 2008 retailer Phi has been introducing proposals to small and medium size manufacturers to produce private labels for them. The interaction between retailer Phi with these manufacturers was productive. Retailer Phi was able to develop private labels and ensure that their private labels were priced at '*everyday low price*'.

"*We are entitled to private labels and we have a duty to sell to consumers at everyday low price",* Purchasing Manager, Retailer Phi.

Through their business transformation, retailer Phi was providing manufacturers certainty, calculability and growth of business, and thus a better utilization of manufacturers' production capacity.

"The greatest problem that manufacturers face is to meet our growing demand from our outlets", Category Manager, Retailer Phi.

In 2018, retailer Phi's management was proud of achieving a relentless sales growth combined with a high level of operational efficiency evidenced by an average net profit margin of 10 percent. Retailer Phi took the chance to reconfirm that the company will continue to drive business transformations to ensure the availability of high-quality products at the lowest consumer prices. Retailer Phi's management observed warily the growing social and economic inequalities and their effect on consumer behavior. Through their interactions with manufacturers, retailer Phi learned that there was an excess production capacity among manufacturers. Following the Covid-19 pandemic in March 2020, retailer Phi requested manufacturer Alpha's consent to produce private labels. Manufacturer Alpha did not give their consent to retailer Phi's proposal and explained that they were entitled to full-price brands because their capabilities are not simply in the production of goods but in creating and marketing branded products.

"*We can't give our consent as we don't produce for anybody else. Our capabilities are in creating world-leading brands that consumers demand*", Business Manager, Manufacturer Alpha.

The management of retailer Phi reacted with a delisting of several of Alpha's brands. Alpha's brands were replaced by private labels produced by smaller manufacturers.

Manufacturer Beta's business was in consumer and pharmaceutical products. The years between 2015 and 2018 were disappointing years for manufacturer Beta in the consumer segment. Manufacturer Beta had a high market share of ca. 27 %, but their market share was increasingly declining. Manufacturer Beta judged this development to be traceable to a lack of product ideas and innovation needed to generate strong consumer interest and retailers' support.

Market research carried out by AC Nielsen and GfK revealed that environmentally conscious consumers were switching brands more frequently and that they were willing to pay a higher price for environment friendly products. On the other hand, research evidence indicated a deficit in the credibility of environmental initiatives. Consumer research pointed to consumers' scepticism concerning the environmental quality of products sold in the market. This scepticism led consumers to reject many transformations as *greenwashing*. One of the most frequently encountered phenomena was deceptive claims by manufacturers and retailers, such as *environmental friendliness*, or *recyclable packaging*, when no recycling infrastructure existed. Beyond environmental concerns, consumers were increasingly concerned with *health* and *well-being*, which resulted in an increased demand for healthy and natural products. The trend towards health and well-being and the consequent product proliferation in ecological and natural products were reflected in the AC Nielsen retail panel data supplied to manufacturers on a bimonthly basis.

In a search for the big transformative ideas, manufacturer Beta incorporated the environmental variable into all packaging and product development projects in 2018. The company took a holistic perspective and reassessed the environmental impact of the life cycle of packaging, distribution, usage, disposal, materials, as well as manufacturing. To check the attractiveness of their ideas, manufacturer Beta approached retailer Sigma (their major customer) during their annual trade negotiations in September 2018 and requested a test in retailer Sigma's outlets.

The choice to generate trials in collaboration with retailer Sigma was not random. Retailer Sigma had developed a credible sustainability policy that dated back several decades. Since 1994 retailer Sigma had been promoting sustainability and *fair trade* relentlessly. By January 2005, retailer Sigma was the first UK retailer to introduce a *traffic light system* on the packaging of private labels; and since April 2015, retailer Sigma gradually reduced the number of red-light (less healthy) products. Retailer Sigma supported the new trials of environment friendly initiatives of manufacturer Beta with enthusiasm and ran trade and consumer promotions at the point of sale. In 2019, manufacturer Beta considered the collaboration with retailer Sigma as a testing ground and opportunity to develop an evidence-based argumentation to roll-out environment friendly consumer products to other retailers. On the other hand, retailer Sigma strengthened its image profile among consumers. In January 2020, retailer Sigma announced in their 2020 Sustainability Plan a Net Zero target by 2040.

"*Our duty is to reduce our use of plastic packaging by 50% by 2025",* Category Manager, Retailer Sigma.

For this purpose, retailer Sigma is investing £1 billion over the next 20 years to intensify collaboration with manufacturers and third parties, such as a Decarbonization Specialist (DS).
"*We recognize and certify sustainability achievements. We measure carbon footprint and assess firms' environmental impact",* Associate Director, DS.
"DS has helped us [Sigma] communicate the value of sustainability to customers and stakeholders", Category Manager, Retailer Sigma.
The declared aim of this intensified collaboration between retailer Sigma, manufacturers and third parties was to transform their business operations in order to reduce carbon emissions, food waste, plastic packaging, and water usage, as well as simultaneously expand recycling facilities and promote biodiversity and healthy diets.

BUSINESS TRANSFORMATION IN PHASES

The evidence of business transformation can be classified analytically in different phases:

Phase 1: Discontinuities

The period following the economic crisis in 2007-2008 prompted a shift of consumer demand towards both sustainable and low-priced products. The impact of these two discontinuities varied. While retailer Epsilon was acquiring smaller supermarkets, convenience shops and petrol stations, retailer Phi was pursuing a supply of goods at '*everyday low price*' by doubling the number of discount shops to 600 outlets within a decade from 2008 to 2018. In contrast, the need for environmental and social sustainability had a more profound impact on retailer Sigma. Retailer Sigma instrumentalized *fair trade* and sustainable products, as a means of enhancing the competitiveness in the marketplace. By January 2005, retailer Sigma was the first in the market to introduce a traffic light system on the packaging of private labels. Since April 2015, retailer Sigma has been eliminating red-light products which were considered unhealthy. Manufacturers Alpha, Beta, and Lambda built on their entitlements, intellectual property and patents to develop innovative environment-friendly brands. Manufacturer Alpha cut prices on branded products, but manufacturer Beta was hesitant. Beta became concerned only when their high market share at 27% started to decline steadily during the years 2015-2018.

Phase 2: Trials

Counterparts did not design grant solutions; instead, they initiated small trials of business transformation to gain market insights, data, and experience. Trade negotiations and quarterly business reviews provided the opportunity for interacting parties to initiate trials in the form of pilot studies, tests, or controlled experimentation. For example, in October 2010 retailer Epsilon appointed manufacturer Alpha as *Category Captain*, a form of certified recognition as a preferred supplier. This enabled manufacturer Alpha and retailer Epsilon to initiate trials redesigning planogram and merchandising. Similarly, manufacturer Beta and retailer Sigma agreed in September 2018 to test new environment friendly products in all outlets of retailer Sigma. In January 2020, retailer Sigma declared the target of becoming *Net Zero* by 2040. This target requires a reduction of carbon emissions, food waste, plastic packaging and water usage and is pursued with new trials. The effect of these trials was that manufacturers and retailers valued the reconfigured resources and considered the market insights, data, and experience that they gained as property that they owned. Nonetheless, trials were creative experiments which could have failed or could have been rebuffed by counterparts. During the

Covid-19 pandemic retailer Phi requested from manufacturer Alpha to produce private labels. The proposal was rejected, as manufacturer Alpha felt they were entitled to full-price brands and they were not interested in transforming themselves to a mere producer for retailer Phi.

Phase 3: Roll-out

Building on their experience gained through trials, manufacturers and retailers rolled out their business transformation to gain scale. Manufacturer Alpha and retailer Epsilon rolled out their category management to unleash business transformations in areas of *Product Assortment, Electronic Data Interchange and Digital Supply Chains*. Similarly, manufacturer Beta and retailer Sigma rolled out their business transformation by launching environment friendly brands. This roll-out was possible because manufacturers Alpha and Beta used their entitlements to brands and R&D resources while retailers Epsilon and Sigma used their entitlements to *Efficient Consumer Response* (efficient assortment, efficient stock replenishment, efficient promotions and efficient new product introductions) as well as their entitlements to trade sustainable products. While retailer Sigma was rolling out business transformations to embrace social and environmental sustainability, new partners were included into their interaction, such as the Decarbonization Specialist (DS) in order to add credibility to consumers and ensure formal certification. DS had distinctive capabilities in recognizing transformations in sustainability and was entitled to provide independent certification that builds trust with consumers, business partners, investors and other stakeholders. In contrast, retailer Epsilon and retailer Phi used their entitlements to private labels and everyday low prices to roll-out transformations that enhance operational efficiency and target low-income customers.

ANALYSIS AND THEORETICAL IMPLICATIONS

The empirical evidence suggests that business transformation is a contingent phenomenon because inter-firm interactions are subject to firms' entitlements to resources. Table 5 provides graphical representation of the different entitlements and interactions unfolding over time.

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Insert Table 5 about here

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The findings demonstrate that in the face of discontinuous change (Birkinshaw et al., 2016; Nadler, 1995; König et al., 2021), manufacturers and retailers in the UK were able to innovate and transform their businesses at seven areas of interface: 1) *Research & Development*, 2) *New Markets*, 3) *Private Labels*, 4) *Consumer & Shopper Insights*, 5) *Efficient Consumer Response*, 6) *Digital Supply Chain*, 7) *Circular Economy.*

To understand what drives these transformation endeavors, we need to look into firms' ability to reconfigure resources (Baraldi et al., 2012; Håkansson & Waluszewski, 2020). In this study, the resources that firms needed to innovate and transform their businesses were not available within the organization. Firms needed to interact with other firms to access the resources they needed (Anastasi et. al., 2012; Giones et al., 2020; Michel et al., 2019; Verhoef et al., 2021) but this inter-firm interaction was not limited to dialogues. Pursuing business transformation through interaction involved a substantial give-and-take process, in which firms' resources were combined, changed and transformed through the interaction between firms (Ford et al., 2008; Håkansson & Ford, 2002; Farhoomand et al., 2021). This applied to physical resources, such as technology, market-based assets, brands and distribution, as well as knowledge-based resources such as know-how and expertise (Mouzas & Ford, 2012; Srivastava et al., 1998). Therefore, firms needed to obtain the consent of other firms to access and use the resources of other firms (Barnett, 1986; Mouzas & Ford, 2018). Consider retailer Phi's attempt to induce manufacturer Alpha to develop private labels for retailer Phi. This constitutes an attempt to transform role sets and responsibilities in business networks (Cotterill, Putsis & Dhar, 2000; Wang, Chen & Song, 2020; Wu, Yang & Wu, 2021). Using resources that others are entitled to without obtaining their consent would have led to widespread anarchy in which systems, creative ideas and designs are used without reward to originating firms (Barnett, 1986). Certain rights to knowledge-based resources, however, can be seen as 'non-rival goods' (Cornes and Sandler, 1986; Romer, 1990), i.e., the use of these knowledge-based resources by one firm does not limit the use by another.

This study has shown that the idea of *entitlements* (Morris, 1992; Leach et al., 1999; Sen, 1984) offers an intellectual lens to look at the *rights*, *duties,* and *capabilities* that firms possess, acquire, and transfer to other actors to transform their businesses. The evidence of business transformation in manufacturer-retailer networks demonstrates that entitlements transcend the boundaries of *property rights,* discussed in extant literature (Campi & Dueñas, 2019; Demsetz, 1964, 2002). This is evidenced in manufacturers' and retailers' attempts to make their networks accountable to the consumer by transforming product assortments to comprise environment friendly products, by introducing 'everyday low price', and by generating electronic data interchange, digital supply chains and shopper insights. Entitlements within manufacturer-retailer networks were reflected, among other things, in *the right to sustainable 'fair trade*', *the duty to print a traffic light system on packaging*, *the duty to reduce carbon emissions*, *food waste, plastic packaging and water usage*, *the right to private labels, the right to brands* or *the right to certify sustainability*. In this way, entitlements comprise the totality of *rights, duties* and *capabilities* that firms bring into their interaction with other firms.

Previous research on business transformation acknowledges that firms need to take a network-centric view and co-create value with other firms (Anastasi et al., 2012; Farhoomand et al., 2021; Ford & Mouzas, 2013; Verhoef et al., 2021). Specifically, Verhoef et al. (2021) report that in the context of digital transformation, 75% of business executives considered that their competitive advantage is not determined internally. For this reason, firms tend to increase the number of partners they work with (Verhoef et al., 2021). Notwithstanding the relevance of network-centric approaches to business transformation, extant research does not explain sufficiently how business transformation is done through interaction.

The evidence from manufacturer-retailer networks demonstrates that business transformation is pursued through interaction in different phases. Analytically we can distinguish between three different phases: 1) *discontinuities,* 2) *trials* and 3) *roll-out*. These phases of business transformation are in line with previous research that indicates that the ability of firms to design transformative solutions is positively related to *design expertise* (Casakin & Levy, 2020). The phase of discontinuities challenges firms and prompts them to engage in research & development, innovation, and consider radical change. But firms that embrace opportunities in the face of discontinuous change are usually prepared by their *pre-history,* such as their "*access to relevant and idiosyncratic resources*" (Denrell, Fang & Winter, 2003 p. 977).

The phase of trials enables firms to experiment with their entitlements on a small scale at calculated risk and gain '*design expertise*' (Casakin & Levy, 2020). Furthermore, the phase of trials reflects firms' cautious approach as resources were combined, changed and transformed through the interaction between firms (Håkansson & Ford, 2002). It appears that the phase of trials induces an *endowment effect* that is evidenced in proprietary feelings toward design expertise, data, and market insights. This endowment effect prompts firms to move on to the phase of roll-out. In the roll-out phase, firms scale up the deployment of their entitlements to claim value (Wagner et al., 2010; Farhoomand et al., 2021), and thus, generate a surplus above and beyond the opportunity cost of activities in the phase of trials. Rolling out business transformation is, nonetheless, confronted with organizational and cultural barriers (Bellini, Era & Verganti, 2012). For example, various stakeholders may show resistance to rolling-out business transformation because of underlying fears of losing some of their own entitlements to resources.

MANAGERAL IMPLICATIONS

The findings of this research on what drives business transformation give managers the analytical tools and the mindset to carry, champion and mediate two guiding principles:

1. **Move beyond existing interactions to pursue business transformation**

   Discontinuous changes, e.g. adversities and crises present unique opportunities to managers for renewal and innovation that cannot be wasted. In the face of discontinuous change, managers' openness to move beyond existing interactions in their surrounding networks and their willingness to approach new collaborations, partnerships and alliances is critical in order to pursue business transformations that embrace new possibilities. Moving beyond existing interactions allows managers to recognize weak signals of forthcoming discontinuous changes and receive feedback from a wider participation. This is only possible, if managers see the broader picture of their embeddedness in networks of interconnected exchange relationships.

2. Leverage entitlements to enable business transformation

Entitlements to resources enable business transformations because they empower firms to engage in productive exchange relationships. Managers need to be aware that entitlements to resources operate beyond the boundaries of property rights. Entitlements may also include *market-based assets* (e.g. channel relationships, brands and reputations), *knowledge-based resources* (e.g. design, know-how and information), as well as *capabilities* (e.g. skills, abilities, routines) that may be distinct and difficult for other actors to acquire. Leveraging distinct entitlements, such as brands, design, and data will enable managers to redeploy internal and external resources towards more productive uses and bring about renewals, shifts and realignments of their businesses.

DIRECTIONS FOR FURTHER RESEARCH

The lesson learnt in this study is that future research should not simply look at firms' programs that produce business transformation. Our social, economic and legal world order is based on entitlements to resources that co-existing actors may possess, acquire, and transfer through interaction with each other. Building on the theoretical foundation of this study, future research on what drives business transformation could continue to develop new insights into the transformative potential of entitlements as a bundle of rights, duties and capabilities. We have started to understand the relevance of the *human factor* (Pfeffer, 2010), as well as interaction patterns (Håkansson & Waluszewski, 2020). At the same time, we have started to recognize that businesses need to understand the entitlements of multiple stakeholders (see Business Roundtable, 2021). We need to build on the *sense of belonging* (Krishen et al., 2019) and yet investigate why firms respond differently to discontinuous change and why some firms are more responsive to their bundle of rights, duties and capabilities in order to pursue business transformations. Research on business transformation comes at a time of discontinuous change in digital technology, energy supply, economy, and work (Ferraro et al., 2015; König et al., 2021; Reinecke & Donaghey, 2021; Reeves et al., 2020; Verhoef et al., 2021). Further research could build on the findings of the present work to provide new insights into the contingent nature of business transformation.

CONCLUSION

This study has contributed to our knowledge of what drives business transformation on the basis of evidence from manufacturer-retailer networks. The study has demonstrated that business transformation is pursued through the interaction between firms and is enabled by entitlements to resources. Firstly, interactions explain *how* firms pursue business transformation. Secondly, entitlements explain *why* firms are able to pursue business transformation. In this way, business transformation is a contingent phenomenon over time that requires the efficacy of interactions within multiple entitlements. Further research in this area is needed more than ever because shifting economic conditions, rapid technological changes in digitization and de-carbonization, as well as crises and adversities challenge the survival of firms and require them to pursue a wide range of business transformations.

Biographical note:

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Figure 1: Manufacturer-Retailer Networks

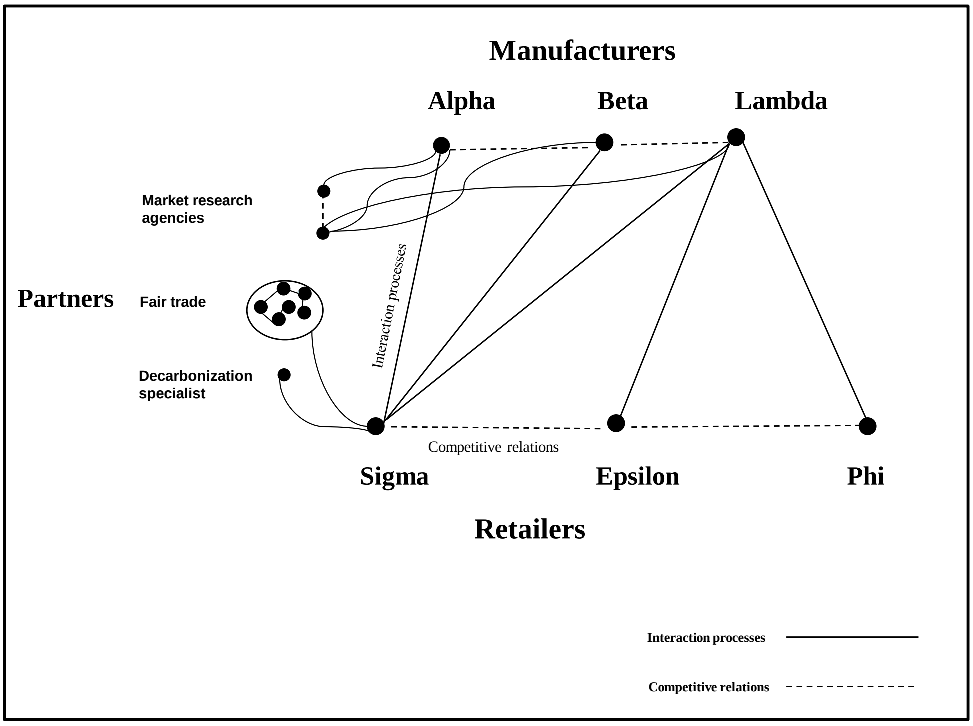

Figure 2: Coding the Empirical Evidence

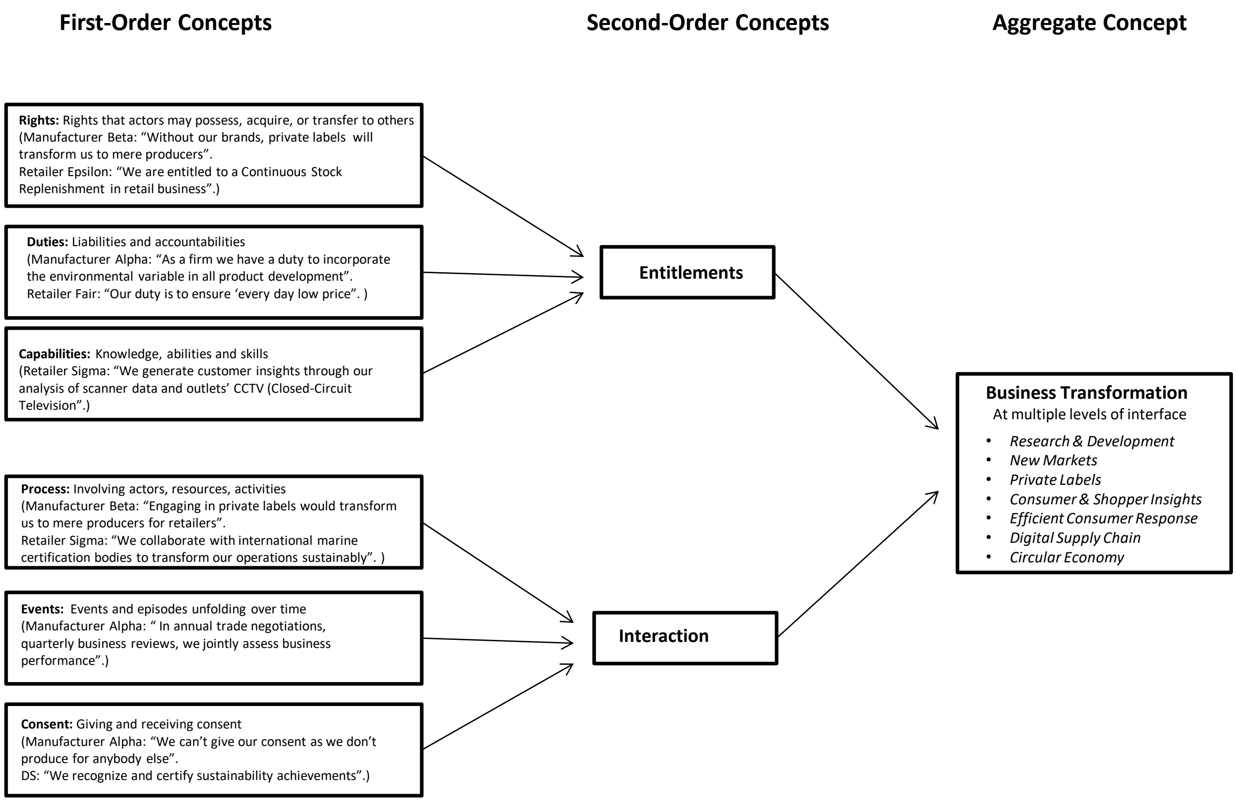

Table 1: Business Transformation through Interaction

Conceptual dimensions	Interaction among firms
Space	*Activities, resources, actors* Håkansson & Waluszewski, 2020; Håkansson & Ford, 2002
Time	*Recurrent patterns* Ford & Mouzas, 2013; Håkansson & Waluszewski, 2020
Unit of analysis	*Events & episodes* Bizzi & Langley, 2012; Andersen, Medlin & Törnroos, 2020; Michel et al., 2019
Functionality	*Consensus building* Barnett, 1986; Mouzas & Ford, 2018; Susskind et al., 2020
Behavior	*Adaptive behavior* Hallen, Johanson & Seyed-Mohamed, 1991; Håkansson & Ford, 2002; Medlin & Törnroos, 2014
Outcomes	*Reconfiguring activities, resources, actors* Bellini, Era & Verganti, 2012; Crick & Crick, 2020; Czakon et al., 2020; Hallen et al., 1991

Table 2: Entitlements as Enablers of Business Transformation

Conceptual dimensions	**Entitlements**
Space	*Resource heterogeneity* Baraldi et al. 2012; Hoffman & Spitzer, 1985; Leach et al., 1999; Sen, 1984
Time	*Past-oriented* Bromley, 1992; Demsetz, 2002; Campi & Dueñas, 2019
Unit of analysis	*Rights, duties, capabilities* Hohfeld, 1913; Calabresi & Malamed, 1972; Morris, 1992; Nussbaum, 2003; Sen, 1981, 1984
Functionality	*Enabling exchange* Demsetz, 1964, 2002; Sen, 1981; Gupta & Bose, 2019
Behavior	*Claiming value* Ashworth et al., 2019; Lepak, Smith & Taylor, 2007; Wagner et al., 2010
Outcomes	*Ability to engage in activities* Nussbaum, 2003; Sen, 2016; Smith, 2019

Table 3: Multiple Sources of Evidence between 2018-2020

Interviews	Interviews: 68 (with business managers)
Workshops	Interactive Workshops: 4 (10 participants per workshop)
Archival records	Emails: 257 Protocols: 42 Contracts: 3 Standard terms & conditions: 8 Field observations: 184 Business plans: 8 Corporate reports: 18 --------------------------------- Number of archival records: 520
Secondary sources	Contextual data: ESRC, Research and Innovation UK, Eurostat, Office for National Statistics, EU ETS, the European Environment Agency (EEA), and UN Framework Convention on Climate Change, Business Roundtable

Table 4: Transformation at Multiple Levels of Interface

Level of Interface	Areas of Transformation	Manufacturers			Retailers		
		Alpha	Beta	Lambda	Sigma	Epsilon	Phi
Research & Development	Market research	X	X	X	X	X	X
	Laboratories	X	X	X			
	Plants	X	X	X			
	Technology	X	X	X			
New Markets	Online business				X	X	X
	Innovative products	X	X	X	X	X	X
	Sustainable products	X	X	X	X	X	X
	Fair trade				X	X	X
Private Labels	Premium brands				X		
	Joint branding				X	X	X
	Sustainable products				X	X	X
	Generic products				X	X	X
Consumer & Shopper Insights	Consumer insights	X	X	X			
	Shopper insights	X			X	X	X
	Scanner data	X			X	X	X
	Preferred supplier	X			X	X	X
Efficient Consumer Response	Efficient categories	X			X	X	X
	Efficient product introductions	X	X	X	X	X	X
	Efficient promotions	X	X	X	X	X	X
	Efficient stock replenishment	X			X	X	X
Digital Supply Chain	Electronic data interchange	X	X	X	X	X	X
	Customer managed inventory	X	X	X			
	Continuous replenishment				X	X	X
	Instant payment	X	X	X			
Circular Economy	Reusability and durability	X	X	X	X	X	X
	Recyclability	X	X	X	X	X	X
	Certified sustainability				X	X	X
	Product as service					X	X

Table 5: Different entitlements and interactions unfolding over time

Analytical Dimensions	Entitlements	Interactions
Phase 1: Discontinuities	• The duty to make the business network to be accountable to the consumer • The right to 'fairness' and 'justice' • The capability to operate discount outlets • The right to 'healthy' products • The duty to address sustainability • The right of retailers to private labels • The right of manufacturers to brands • The right to choose channels of distribution	• Epsilon acquired smaller shops • Sigma developed fair trade business with sustainable producers • Phi doubled discount outlets • Sigma introduced a traffic light system on private labels' packaging • Alpha, Beta, and Lambda developed environment friendly brands • Alpha cut prices of branded products
Phase 2: Trials	• The right of retailers to appoint category captain • Capabilities in category management, Electronic Data Interchange, technology and Digital Supply Chains • Capabilities in R&D of environment friendly products • The duty to reduce carbon emissions, food waste, plastic packaging and water usage • The right of retailers to private labels • The right of manufacturers to brands • The right to intellectual property and patents	• Epsilon appointed Alpha as category captain (preferred supplier) • Alpha and Beta initiated trials in Category Management, Electronic Data Interchange, Efficient Promotions and Shopper Insight. • Beta and Sigma tested new environment friendly products • Phi requested from Alpha to produce private labels; Phi's request was rebuffed by Alpha
Phase 3: Roll-out	• Capabilities in category management, electronic data interchange, technology and digital supply chains • The duty to promote sustainable products • The duty to address the needs of low-income customers • The right to intellectual property and patents • Retailers' right to private labels • Retailers' duty to sell consumers at everyday low price • DS's entitlement to certify sustainability	• Alpha and Epsilon transformed Product Assortments, Electronic Data Interchange, Digital Supply Chains. • Beta and Sigma launched environment friendly brands • Alpha, Beta and Lambda expanded to environment friendly products • Sigma collaborated with DS to certify sustainable business transformation