

# **How to Become an Attractive Customer**

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## ***Abstract***

Industrial customers need to influence suppliers. One approach to influencing involves becoming attractive to attract the attention of suppliers. However, customer attractiveness is a complicated phenomenon, involving sensemaking with supplier actors as a critical issue. This paper is one of the first results from a research project on sensemaking and attractiveness. Two industrial suppliers and their relations to customers are investigated with the purpose of building knowledge on sensemaking processes in supplier actor groups. The analysis is based on Weick's sensemaking theory. The findings show that suppliers make sense about different issues, connected to attractiveness. Moreover the two suppliers work under different sensemaking processes, employing different frameworks for interpretation. A sensemaking profile framework is proposed to support and facilitate the analysis of supplier's sensemaking profiles. By analysing these profiles, the process of becoming attractive can be better understood.

## ***Introduction***

One of the central characteristics of the industrial buyer-supplier relation is that both buyer and seller are active participants in the relationship (IMP Group, 2002). Both parties need to influence the decisions and adaptations of the other party in order to improve exchange processes (Ford, Håkansson, & Johanson, 1985). The influence task is not restricted to sales actors, as in consumer marketing. Buying companies also need to influence suppliers through interaction (Turnbull, Ford, & Cunningham, 2002). Influencing suppliers is highly critical to any industrial company, since supplier relationships account for a large part of the value of the final product.

Various approaches to influencing have been proposed in the literature. Proponents of Transaction Cost Economics (TCE) see the influence task as one of safeguarding (Williamson, 1996). The relation specific investments of the buying company needs to be protected from the opportunistic behaviour of supplier actors, who also suffer from bounded rationality. The effectuation of opportunism and bounded rationality is prevented by various means, including penalties and severance payment for premature termination of the relation, imperfect contracting and adaptations in the form of combined ownership and reciprocity arrangements (Williamson, 1985). The main purpose of influencing is to preserve the transactional relation. The literature on coercive power represents a more aggressive approach. Here the objective is to tap into the supplier's benefits (Cox, 2001). This is achieved by dominating the relational power balance, which is accomplished by making the supplier dependent while avoiding dependence on suppliers. By dominating the power balance, the buyer creates a position to wield punishment (Mols, 1995). Examples of means for achieving dominance are multisourcing, changing the importance of the bought component or standardising the bought component (Pfeffer & Salancik, 1978). Increasing turnover and obtaining valuable information are other sources of influence (Porter, 1980).

In sharp opposition to the writers on coercive power stand the partnership researchers. These researchers propose a collaborative approach aiming at supporting long-term value creation, for example through process optimisation. The partnering customer shares gains from optimisation, information and risks (Lambert, Emmelhainz, & Gardner, 1996). Influence is created by demonstrating trust and mutuality with the purpose of committing suppliers (Ellram, 1991). The above mentioned approaches are widely dispersed in theory. However, they seem to share one common flaw – the omission of actor rationality, perceptions and sense making as a critical determinant of influence success. Other parts of the literature have noted that the specific assumed rationalities of supplier actors expected by these theories are not always evident (e.g. (Granovetter, 1985) or (Cox, 2001)). The results are failed attempts at influencing.

This paper, which forms a part of on-going research, contributes by building understanding of how supplier actors make sense about the influence efforts of buyer actors. The mentioned approaches are not under investigation. Rather the paper builds on an alternative approach to influencing – Customer Attractiveness – which contend that being an attractive customer is an effective means of

influencing suppliers. As with the other mentioned approaches, the success with influencing suppliers by being attractive, is expected to depend on supplier actor rationalities. Attractiveness is a highly subjective and individual concept, which is determined in the minds of supplier actors. The paper reports on early exploratory and descriptive research into supplier actor rationality. The investigation serves to answer the following research question: What sense making processes with supplier actors are determining for customer attractiveness? A case study of two suppliers and their relations to Danish industrial companies comprise the empirical part of the paper.

### **Attractiveness**

Attractiveness as a general concept has appeared in various parts of the marketing literature. Supplier actors have been urged to seek out the most attractive customer accounts with the purpose of optimising the allocation of scarce resource. Fiocca's well-known customer portfolio analysis, for example, classifies customers according to the strength of the relationship and the customer's overall business attractiveness (Fiocca, 1982). Fiocca introduces a number of measures of customer business attractiveness, including financial, market and technological factors. The relationship strength dimension is measured by relationship duration, power balance and development cooperation etc. The accounts that rate highest on these measures are deemed most important and receive most attention. A number of more recent contributions, building on Fiocca's model, have investigated how customers employ different strategies for attracting attention from suppliers. Christiansen and Maltz present three case studies where small Danish companies manage to become interesting for large foreign suppliers (Christiansen & Maltz, 2000). One company focuses on providing knowledge on technological application for the supplier, another commits to specific "supplier friendly" information and planning systems while a third employs a strategy of single sourcing. The different strategies focus on certain specific aspects of Fiocca's overall business attractiveness, while downplaying others. Hence customers are attractive to suppliers for different reasons. Walter et al. introduce the concept of value functions, which describe how the buying company represents value for the supplier (Walter, Ritter, & Gemünden, 2001). They emphasise the perceptive nature of value and conclude that rationality plays an important role in relationships. Hence customer attractiveness depends on how supplier actors perceive and make sense.

### **Sensemaking**

The notion of sense making appears regularly in the literature on buyer-supplier relations. IMP writers frequently refer to sensemaking and interpretation. Actors make interpretations of the

intentions and interpretations of others (Ford, Håkansson, & Johanson 1985). Interaction is given meaning through these interpretations. Who controls resources, for instance, is often subject to very different interpretations by actors (Håkansson & Johanson 1992). Weick's concept of enactment has also inspired the IMP writers, who regard enactment (or "interactment") as basic tenet of the interaction model (Weick 1995) (Ford, Håkansson, & Johanson 1985). Weick argues that actors produce parts of the environment they face (Weick 1995). This means that interaction cannot be compared to causal action – reaction patterns between isolated parties. Rather actors receive stimuli, not only from counter parties, but also as a result of their own activity. Some IMP authors have dealt with cognition in a network setting. Ford et al. advance the concept of network pictures, which refers to the views of the network held by network participants and which forms the basis for analysis and action (Ford et al. 2003). These authors develop a model of network management, where network pictures form the basis for networking, which leads to network outcomes, which again reconstruct the network pictures of actors. They also highlight the importance of knowing the network pictures of counterparts in the network. Network pictures form the reality in which the company will act and hereby determine the outcomes of networking (Welch & Wilkinson, 2002). Likewise, in a dyadic setting, buyer actors need to know the (relationship) pictures of supplier actors to spur advantageous outcomes.

Despite the above described interest in actor cognition, attempts at researching sensemaking processes with the purposes of developing normative or analytical devices seem to be scarce in the literature on buyer-supplier relations. Therefore this paper draws on other fields of research to conceptualise and operationalise the sensemaking process. Notable contributions include those on interpretation (Giddens, 1975), rationality (Granovetter 1985), manager's ideologies (Benson 1975), selective perception (Freytag, 1991), psychic distance (Hallen & Wiedersheim-Paul, 1984), ideas and schemas (Welch & Wilkinson, 2002), and logic (Nørreklit, 1998). However another contribution is used as the main inspiration in this paper. Weick's comprehensive organisational studies are among the most advanced contributions on sensemaking and they exhibit the detail and depth necessary to operationalise actor cognition.

Sensemaking simply means the making of sense (Weick, 1995). Actors possess a frame of reference, which directs sensemaking and interpretation. Stimuli are placed into a cognitive framework. These structures (the frame) are constructed from past moments of socialisation. A cue is a present

moment of experience, which when connected with a framework leads to sensemaking. Sensemaking requires a cue, a framework and a connection between the two. Weick propose the existence of so-called “minimal sensible structures”, which comprise a framework that direct the sensemaking process with actors (Weick, 1995). The minimal sensible structures can be either past moments (part of the framework), present moments (cues) or a relation between the two. Weick argues that these minimal sensible structures can be thought of as “*vocabularies, in which abstract words (frames) include and point to other less abstract words (cues) that become sensible in the context created by the more inclusive words*” (Weick, 1995). More specifically Weick contend the existence of six minimal sensible structures:

1. Ideologies (Vocabularies of Society):

Shared, relatively coherently interrelated sets of emotionally charged beliefs, values and norms that bind some people together and help them to make sense of the world. Ideologies combine beliefs about cause-effect relations, preferences for certain outcomes and expectations of appropriate behaviour.

2. Third-order-controls (Vocabularies of Organisation):

Assumptions and definitions taken as given - implicit, tacit, preconscious, mindless and taken for granted. A third order control is a supposition made so that people can get on with the process of decision making.

3. Paradigms (Vocabularies of Work):

Standard operating procedures, shared definitions of the environment and the agreed upon system of power and authority – paradigms differ from the two above vocabularies by being self-contained systems that are capable of serving as alternate realities. A subjective point of view that determines what a person perceives, conceives and enacts.

4. Theories of action (Vocabularies of Coping):

Organisational level rules that interpret stimuli in meaningful ways. They filter and interpret signals from the environment and tie stimuli to response (S-R paradigm). To select adequate responses organisations map their environments and infer what causal relationships operate in their environment.

5. Tradition (Vocabularies of Predecessors):

Something that was created, performed or believed in the past that has been handed down or transmitted from one generation to the next.

6. Stories (Vocabularies of Sequence and Experience):

Stories serve as guides to conduct – people think narratively rather than argumentatively or paradigmatically. Typically a protagonist, a predicament, attempts to solve the predicament, the outcome of such attempts and the reaction of the protagonist to the situation.

Weick's minimal sensible structures constitute the initial basic analytical framework for the investigation reported in this paper.

## **Methodology**

This investigation is inspired by Miles and Huberman's work on qualitative research (Miles & Huberman, 1994). Two industrial suppliers and their relations to various customers were studied in this exploratory case based research design. The complexity of the phenomenon required a qualitative methodology (see also (Welch & Wilkinson, 2002)). The two cases were chosen due to the expected different sensemaking processes. Still they supplied the same types of customers, which meant that they were making sense of the same customer's attractiveness. Another important requirement was that the group of relevant supplier actors should be limited. The study is concerned with the joint sensemaking that takes place between sales actors relevant to a given customer relation. It seeks to capture what Weick refers to as the "*network of intersubjectively shared meanings that are sustained through the development and use of a common language and everyday social interaction*" ((Walsh & Ungson, 1991) in (Weick, 1995)). To avoid unmanageable complexity, the group needed to be relatively small, comprising a homogeneous sensemaking group of employees. Data was gathered through a number of means to secure quality and richness of the investigation (Yin, 1994). Supplier actors were interviewed for their perceptions of customer attractiveness. The open-ended interview technique was used to allow interviewees to tell stories and open up for the sensemaking processes. Furthermore a few group meetings (group discussions, lunches) were attended. Documents, e.g. contracts of various kinds, were studied. The data were analysed by the use of Miles and Huberman's coding procedures (Miles & Huberman, 1994).

## **Case Data and Analysis**

After the initial coding sequence it made sense to change the analysis framework (Weick's minimal sensible structures) slightly with the purpose of adapting it to the studied phenomenon. The initial coding exercise revealed instances of formalised organisational structures, working to set guidelines in the sensemaking process. Weick seems to focus on informal and softer structures as guides to sensemaking. Nevertheless he refers to Perrow's work on organisational control (Perrow, 1986) in

(Weick, 1995). In the discussion and description of third-order controls he briefly describes first and second order controls, which are control by direct supervision, and by programs and routines respectively. The data revealed several instances of second order controls, which is why this structure was included in the analytical framework. The data set did not involve any instances of tradition or vocabularies of predecessors. One supplier had only existed since 1993 and the sales organisation of the other supplier was rather young. These facts do not rule out tradition as a source of sensemaking. However, tradition was simply not encountered in the case data.

Table 1 shows the identified sensemaking issues, meaning the themes that the supplier actors make sense about jointly with regards to customer attractiveness. Each issue is subject of sensemaking through different minimal sensible structures (frameworks) and cues, which are not listed here due to space considerations. It is important to note that the issues are actually highly connected in an overall sensemaking pattern.

<b>DCT</b>	<b>FR Electro</b>
Personal interaction	Personal interaction
Business understanding – strategy	Business understanding – strategy
Relational structure	Relational structure
Contracts	Economy
Communication	Culture
Business ethics	Network Structure
Relational value	Knowledge
	Customer's strategies
	Process integration

**Table 1:** The identified sensemaking issues at DCT and FR Electro.

The analysis sought to identify the sensemaking issues in focus at the two supplier companies with regards to perceived customer attractiveness. Furthermore the purpose of the analysis was to identify the minimal sensible structures that shaped the sensemaking process in these cases. Below an issue from each of the two cases is described, along with the dominant minimal sensible structures in each company. The two examples have been chosen to provide a representative picture of the dominant minimal sensible structures with each supplier.

## Sensemaking at DCT

DCT is a small Danish supplier of die cast aluminium components. DCT not only produces the components, but also carries out design and construction work as well as a major competence. It is a small company with approximately 80 employees and 30+ customers from various industries. Decisions regarding customer relations (as well as everything else) are made by the two owners and directors, one responsible for product development and one responsible for finance. In addition two central employees, working with quality and design, are often involved in the decision making process. One of issues of sensemaking (contracts), along with the involved minimal sensible structures, are described below.

The DCT employees generally have a quite tense attitude towards contracting. A number of negative stories have contributed to their sensemaking regarding contracts. One of their main customers has continuously tried to get DCT to sign a contract. This customer has, for a period of more than two years, sent DCT a number of contract proposals, and DCT has so far refused to sign any of them. First of all the contract proposals have all been very detailed and filled with legal definitions, which trouble the DCT people. They do not know about contract law and they find these exercises a waste of time. Later contract proposals from this customer then excluded the legal definitions. Still the contracts held a number of demands that the DCT people found unfair, for example regarding short term performance. At negotiations the sales people from this customer claimed that these contract demands were only symbolic and would not be used. The DCT people reacted by stating *“if you are not going to use this paragraph, then erase it!”* At recent negotiations the sales people have brought managers and even top executives. In the words of one of the DCT directors *“they are bringing in their CEO – they want to beat us up and force us to comply”*.

The paradigm of the DCT people does not seem to fit with contracting. Frequently they accept to sign trade agreements, holding vague guidelines and characterised by flexibility. They perceive contracts as restrictive for relational development and they regard problem solving based on dialogue as the best coordination device. At times they reveal an ideological resistance towards contracting. One DCT employee notes *“many customers just send the contract and expect us to sign and return it, but that is not the way our piano plays”*. The fact that many sales people expect DCT to sign contracts without even discussing the details annoys the DCT people. In connection to the above sensible structures a number of theories of action have evolved with the DCT people. One of



these involves responding to very detailed and legal contract proposals by questioning each and every demand and definition. Hereby the DCT people engage in what they call “*the lawyers game*”. The result is that negotiation of the contract get dragged out and sales people find it difficult to explain and argue for the contractual demands and definitions. Typically these negotiation processes end up with the parties agreeing on a simple trade agreement. In situations where customers persist and demand a signed contract, the DCT people have demonstrated a will to abandon the relation, resulting in supplier actors modifying their demands. Over time a few third order controls have developed in the DCT organisation. One of the DCT directors express one of these controls the following way “*the contract cannot hold anything that we do not wish or cannot live up to*”. The reluctance of the DCT people to sign contracts means that only one of the four largest customers of DCT has a signed trade agreement with DCT.

### **Sensemaking at FR Electro**

FR Electro is a very large producer of electronic components. The sales/marketing function alone employs 700 people working globally in different segments etc., which is why this analysis has been limited to the Danish customer relations. FR Electro has only two Danish customers at present, but the customer portfolio is changing occasionally. These customers are major Danish industrial corporations and procure large volumes from this supplier. Decisions are made by the Danish sales engineer at FR Electro in collaboration with and supported by various employees in the Scandinavian direct sales organisation in Sweden. The issue of economy evidently played an important role with regards to perceptions of attractiveness by the FR Electro people. This sensemaking issue is described below.

The FR Electro people make no secret of the fact that they regard turnover the most important source of attractiveness. They work under a strong economic paradigm which is supported by a number of second order controls. An example of a strong second order control is the fact that the FR Electro sales people get measured strictly on turnover. The sales engineer explains that other performance parameters, e.g. profits, are not in focus. In addition FR Electro’s sales/marketing organisation has a simple rule, which states that customers with turnovers below the 2 million \$ mark have to change to the distribution unit within FR Electro. Hence if any of the two mentioned customers were to drop below this mark, they would be lost to the direct sales people (of interest to this investigation). One of the customers balances on this borderline, resulting in an extreme focus

from the sales people perspective, on increasing the business. The sales engineer notes that *“we like to focus on the long-term development projects, but their procured volumes are so low that we need to focus on short-term business performance”*. Generally the direct sales organisation operates under a rule, which states that the smaller a customer the more focus on turnover. When customers build up considerable volumes (like the other Danish customer), FR Electro will be capable of liberating resources for joint process and product development.

Turning to the paradigm, the FR Electro sales people share a clear paradigmatic understanding of economy, in this case specifically regarding turnover. Consolidation is a key word. The FR Electro people focus on the customer's ability to manage “the package” (the overall procured volume). Good customers consolidate volume by moving components from other supplier accounts to FR Electro. One of the Danish customers has carried out a major consolidation project, involving consolidation not only across product models but even across organisational divisions. Furthermore this customer advises various intermediate system suppliers to use FR Electro components. The story of this project has helped shape the economic exchange paradigm at FR Electro. Forces working against consolidation are disliked, which was experienced by the other Danish supplier, when they started buying from an intermediate systems supplier, using non FR Electro components, hereby decreasing the turnover. Another key definition of the FR Electro paradigm is to keep clear from customer specific components. Customising components involves high development costs and the customer base for a customised line of components is reduced to one. The FR Electro people therefore try to get the two customers to use standard components, where the development costs can be shared and the overall supplier from FR Electro are large. The sales people expect customers to think about how they represent a satisfactory turnover to FR Electro and they are prepared to relegate customers to distribution services if this is not achieved.

## ***Discussion***

This paper explores the issue of supplier actor sense making. The learning from the empirical data can be summarised in two main themes. First of all suppliers do not make sense about everything in the relation to customers and with regards to customer attractiveness. Some aspects of interaction are critical to their perceptions of attractiveness while others are not. In the words of Weick, supplier actors choose which cues to extract from the interactive phenomenon and make sense about (Weick1995). Based on the case analysis it is clear that the two case suppliers make sense of

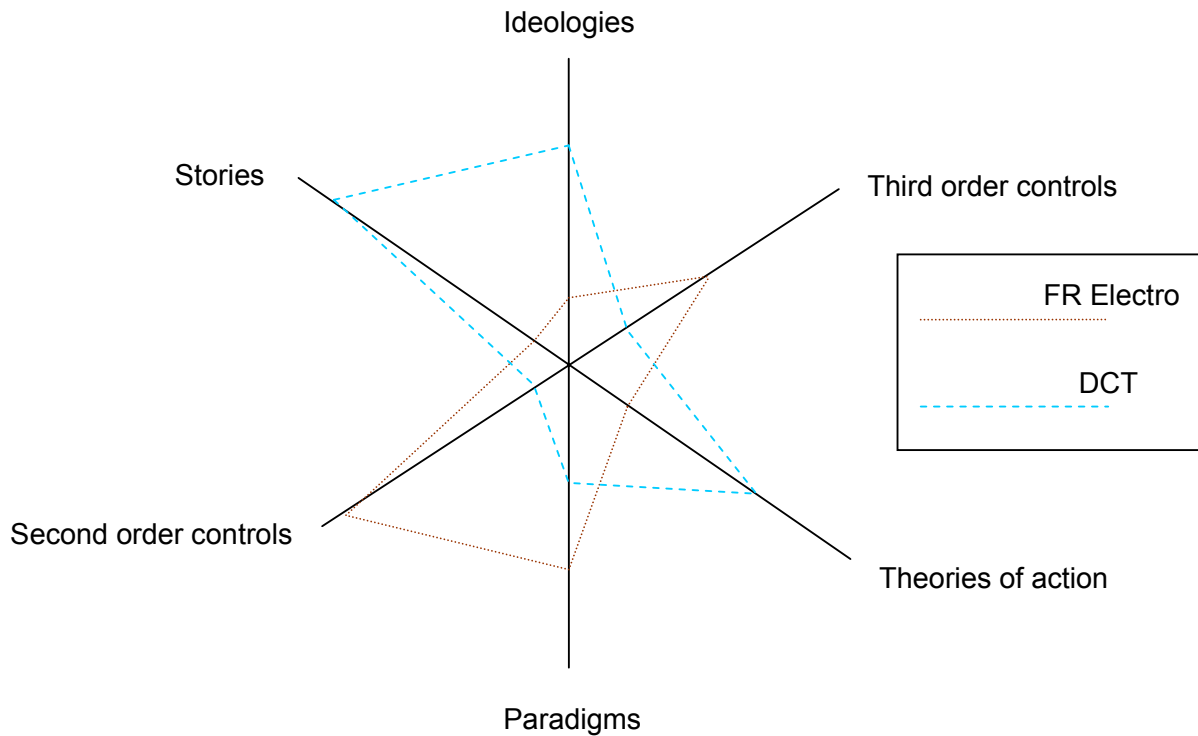
different cues in the two customer relations in the process of determining attractiveness. Some identified sensemaking issues are alike, but the majority are quite different. The actors in both supplier companies have developed frameworks and extract cues with regards to personal interaction, business understanding/ strategy and relational structure. In addition the DCT people are then very concerned with contracts, communication, business ethics and relational value, whereas the FR Electro people are occupied with economy, culture, network structure, knowledge, customer's strategies and process integration. Purchasers need to know what frameworks supplier actors have developed and what cues they tend to extract to become attractive and equally important to avoid becoming unattractive. For instance it is important to realise that one supplier is very economy focussed while another does not place equal emphasis here.

The second main theme regards the actual sensemaking structures. The cases revealed different sense making processes with regards to what minimal sensible structures were in play. Looking at DCT it was clear that stories played a crucial role in the joint sense making processes of these employees. A large part of the interview time was used to tell stories. During the few meetings where the researcher participated the DCT people communicated various stories continuously. They laughed at nicknames they had made up for various sales people and revived earlier events. In contrast stories played a small role in the sensemaking processes at FR Electro. With these employees sensemaking was to a large degree shaped by second order controls. Various rules and programmes anchored either at a corporate sales level or between the sales actors involved in the customer relations, guided sensemaking here. Furthermore the sensemaking process seemed to be more ideological at DCT and more paradigmatic at FR Electro. Feelings and emotional values and beliefs dominated the framework at DCT whereas the FR Electro people made sense through a more professional system of shared definitions and operating procedures. Lastly the data revealed twice as many theories of action at DCT compared to FR Electro. This may be because the DCT sales people are also the top executives in this organisation entitled to enforce these rules, whereas the distance between top executives and sales people at FR Electro is much larger. However the study of this phenomenon does not lie within the confines of this project.

### ***The Supplier Sensemaking Profile Framework***

The implications of the above discussion are important to industrial purchasers. One thing is to know what cues supplier actors extract when they make sense of customer attractiveness. Another is to know what sensemaking frameworks supplier actors work under. The framework illustrated

below is intended to help purchasers identify and analyse supplier actor's sensemaking profiles (see Figure 1).



**Figure 1:** The supplier sensemaking profile framework.

By identifying and analysing the sensemaking profiles of suppliers, purchasers become better capable of managing attractiveness towards suppliers. Initially it is critical to identify the cues that supplier actors choose to make sense about, for example economy or contracts. These cues must be in focus when managing supplier relations. Next step is to apply the above framework to examine what sensemaking structures are actually in play with suppliers. This is critical, because these profiles need to be managed differently. Changing or influencing the different structures requires different means. Looking at the two supplier profiles above, it is obvious that different approaches are required. DCT represents a “storyteller” profile, while FR Electro is reminiscent of a “programmed supplier”. The second order controls of FR Electro are quite different to change, due to their origins in corporate policy. Customers are forced to represent a business package over 2 mio \$ for example to be attractive. On the contrary, some possibilities for shaping the FR Electro paradigm seem to exist. The data showed that one of the Danish customers managed to spur a consolidation paradigm with the FR Electro people, which came to set standards for attractiveness.

Stimulating a paradigm alteration of this kind may require considerable effort, in the form of large scale change programs involving planning, successful sub projects, personnel resources etc.

Being attractive to DCT represents a completely different challenge. As a customer you need to get a place in the stories of the DCT people. Getting them to tell positive stories about you as a customer is crucial. One way of accomplishing this may be to set of a number of individual events, which are perceived positively by the DCT people. They need positive experiences about you as a customer. This way their ideology may accommodate you as a positive experience. Moreover these efforts may cause changes to the relatively high number of theories of action. Otherwise these theories, which are mostly negative to the customer, should probably be avoided. Challenging them tend to leave a scar on customer attractiveness, which is difficult to mend. The framework could be expanded with prescriptions regarding appropriate attractiveness means for various profiles. Furthermore tradition would surely be an important structure in many supplier relations, which is why this minimal sensible structure should be incorporated. However, this task must be counted in under future research.

## ***Conclusion***

So how do you become an attractive customer? There are a number of reasons why this question is impossible to answer, one of them being that supplier actor groups make sense in different ways and of different issues. The aim with this paper has been to explore the sensemaking processes of supplier actor groups. Two industrial suppliers and their customer relations were investigated. The analysis was based on Weick's minimal sensible structures framework. The analysis showed that supplier actor groups focus on different issues to make sense about with regards to customer attractiveness. Furthermore they rely on different minimal sensible structures. These findings have important implications for supplier relationship management, because each sensible structure require specific management and attractiveness approaches. Finally a framework for identifying different supplier sensemaking profiles was proposed to help purchasers choose the right attractiveness approach. With the help of this framework, purchasers will hopefully be better prepared to become attractive customers.

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