

The complexity of power relationships within a network

Judy Zolkiewski¹

Abstract

There is a strong tradition of interaction, relationship and network research in the industrial and manufacturing areas of business-to-business markets (Håkansson, 1982, Turnbull and Valla, 1986, Dwyer, Schurr and Oh, 1987, Ford, 1990, 1997, Håkansson and Snehota, 1995). It is accepted that investigation of service business-to-business markets is relatively underdeveloped (although there are notable exceptions such as: Yorke, 1990, Halinen, 1994 and Tyler, 1997).

In order to develop theory in the area of service business markets, the networks of buyer-seller relationships that exist in a service business-to-business environment were investigated by the researcher. Three, in-depth case studies were undertaken in the UK National Health Service (NHS). In these case studies the complex sets of relationships between the purchasers and providers of community health care (this includes health visiting, district nursing and therapies such as chiropody and physiotherapy) were investigated.

This paper reports our findings about how a complex set of power interactions revealed themselves in the context of a network situation. The concept of power in networks has already been discussed by authors such as Thorelli (1986) and Axelsson (1992). However, our findings suggest that there were different levels of power within the network and hence we propose a new model for analyzing power in a network situation. This model shows how levels of power within a network can be described in terms of a pyramid which comprises: personal power (internal), organizational power (organizational) and indirect power (network).

These findings suggest that managers need to be aware of the different levels of power and how they affect decisions to allocate and/or control resources such as finance, people, materials, expertise and knowledge. They also suggest that managing indirect power flows, i.e. the ability to influence the network, media or political action is an important management task.

These research findings and associated theoretical developments are important because it opens up a number of areas for further research. For instance, are these findings specific to the NHS? Or can they be applied more widely, in service or industrial markets? Additionally, the model requires further development in areas such as whether the different levels of power have equal weightings.

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Introduction

There is a strong tradition of interaction, relationship and network research in the industrial and manufacturing areas of business-to-business markets (Håkansson, 1982, Turnbull and Valla, 1986, Dwyer, Schurr and Oh, 1987, Ford, 1990, 1997, Håkansson and Snehota, 1995). It is accepted that investigation of service business-to-business markets is relatively underdeveloped (although there are notable exceptions such as: Yorke, 1990, Halinen, 1994 and Tyler, 1997). This research aims to begin to redress the balance by contributing to both theory and empirical evidence in the area of service business-to-business markets.

Business-to-business relationships and networks provide the infrastructure for the business world in which we operate. Business relationships are as important in service industries as they are in the traditional areas of industrial and organizational marketing research. Understanding and managing these relationships is vital to an organization's success. Industrial network theory provides an excellent mechanism for understanding such relationships and it has been suggested that it is just as appropriate for service businesses as it is for industrial operations, after all much technology is service-dominated (Zolkiewski, 1999). This paper investigates the applicability of industrial network theory and, in particular, the manifestations of power within networks, in service industry networks.

Three, in-depth case studies were undertaken in the United Kingdom National Health Service (NHS). In these case studies the role of power in the complex sets of relationships between the purchasers and providers of community health care (this includes health visiting, district nursing and therapies such as chiropody and physiotherapy) were investigated. The findings from these and resulting suggestions for the further development of theory are discussed in this paper.

This paper begins with a discussion of the relevant literature. A brief description of the chosen industry and methodology used are then presented. The findings are discussed and suggestions for development of the associated theory are made. Finally, conclusions are drawn.

Industrial Network Theory

The antecedents to Industrial Network Theory can be clearly seen in the work of the IMP group and the approach they developed for analyzing and understanding business relationships, the interaction approach. Once it has been recognized that businesses do not operate in isolation, are not islands (Håkansson and Snehota, 1989); it is necessary to try and understand the wider set of relationships in which an organization is embedded. This wider set of relationships, or network, which has been defined by Spencer and Valla (1989) page 13, is:

“A network is a set of interconnected relations involving people and organizations called actors, and forming a structured sub-system within a

larger system of actors... They are involved in a finalized process, with the ultimate purpose of allowing and facilitating the exchange of goods or services between a supplier and a customer, or a set of them”.

Håkansson and Snehota (1995) provide a robust framework for network analysis. Where **actors** perform **activities** and/or control **resources** (see also Håkansson and Johanson, 1992). They suggest that networks can only be truly understood by viewing them in terms of all their elements (activity links, resource ties and actor bonds) and functionality (dyad, single actor and network) and acknowledging the effects of the changes, which develop over time. They also stress the importance of balancing the function of relationships, i.e. achieving a balance between dyads, the single actor and the network; believing that overemphasis on one particular function can be counterproductive. They believe that managers should take responsibility for ensuring that their business relationships are managed in such a way as to benefit not only their organization but also the counterparts in the relationship.

Quasi- or non-market networks do not appear to have attracted a great deal of attention within the marketing literature. However, the concepts of nonmarket strategy (Baron, 1995), milieu (Cova, Mazet and Salle, 1996) and non-economic exchange in networks (Easton and Araujo, 1992) do provide insight into their operation.

Alternative models of network analysis are also available; see Iacobucci et al (1996) and Powell, Koput and Smith-Doerr (1996) for instance. However, these models take a much more quantitative approach to modelling and do not provide a mechanism for understanding the actions within a network.

It can be argued that managerial success comes from understanding and managing the dynamics of the situation or the forces that are at work in the network. Håkansson and Johanson (1992) provide insight into this by identifying important forces in the network:

1. The **functional interdependence** of activities, actors and resources.
2. **Power structure**.
3. The **knowledge structure** of the network.
4. **Intertemporal dependence**, i.e. the network is actually a product of its history.
Therefore, stability and development in the network are closely related.

The functional interdependence relates to how actors co-ordinate and combine their resources and activities to effect a solution to each others' (and their customers') needs. This is affected by the knowledge structure in the network, the history of the network and the power balance within the network. From an analytical perspective, understanding these forces promotes a deeper understanding of the network in which an organization is embedded. Hence, their understanding should also illuminate managerial decision-making.

Each of the above forces needs to be understood and analyzed by managers and academics alike. It can be suggested that understanding the power balance in a network is one of the (if not the) most important keys to achieving effective management. Hence, power is discussed in further detail in the section below.

Power In Networks

It is acknowledged that there are many different areas of management research², which discuss the concept of power. These include sociology, organizational change, economics and marketing. Not unsurprisingly there is no consensus as to the definition of the phenomenon nor to the dimensions that exist within the concept. However, it is generally agreed that power relates to the ability of one firm or actor to influence or control the behaviour and actions of another firm or actor. This was simply defined by Wilkinson (1979) as

“a firm’s ability to control another channel member’s behaviour” (page 79).

It can also be seen that within these various definitions there is a dichotomy between person-centred definitions and organization-centred definitions.

Within the business-to-business and marketing channels literature at least two distinct approaches can be identified:

1. The discussion of power and conflict within distribution channels (see Gaski (1984) and Duarte and Davies (1999) for comprehensive reviews). In this area another dichotomy is also evident, identified by Stern and Reve (1980), between economic and behavioural approaches. The researchers using the behavioural approach have concentrated on investigations of the various power bases, the relationship between power, dependency and conflict and perceived dichotomies in power such as coercive/non-coercive, exercised/unexercised and countervailing power. The concept of power bases has been derived from the original work of French and Raven (1959) and Raven and Kruglanski (1970)³; these bases include reward, coercive, legitimate, referent, expert and informational power.
2. The recognition that power and dependency are crucial elements within the atmosphere of all dyadic relationships and the extension of this concept to the need to understand the role of power within networks.

Ogbonna and Wilkinson (1998) point out that while there has been an ongoing debate about power in the marketing channels literature, the importance of the social dimensions in power is often neglected. We would also suggest that there are a number of other dimensions that are also neglected in that discussion; those that are equivalent to the environment in the interaction model, such as market structure (for example the retail oligopoly in the United Kingdom, or the quasi market in the UK NHS) and market dynamics.

Although the work of Cova, Mazet and Salle (1996) is based in project marketing, the notion of milieu and its relevance to the understanding and analysis of networks⁴ is

² It is not the aim of this paper to critique all these various approaches, simply to acknowledge that they all exist and to recognize that awareness of these perspectives can bring richness to our understanding of the issues that we research.

³ French, John R. P. and Bertram Raven (1959) ‘The Bases of Social Power’ in *Studies of Social Power*, Dorwin Cartwright, ed. Ann Arbor: University of Michigan Press and Raven, Bertram H and Arie W. Kruglanski (1970) ‘Conflict and Power’ in *the Structure of Conflict*, Paul Swingle, ed., New York Academic Press, 69 –109. referenced in Gaski (1984)

⁴ Cova, Mazet and Salle (1996) recognize that milieu is not a panacea for understanding/analyzing all networks, but they show that it can be useful in specific instances. We will go on to argue that the cases presented here are one of those instances.

important to this discussion. This is because it includes a discussion of the impact of spatial proximity on actors in a net or network and it pays explicit attention to the socio-economic dimensions in the network. Cova, Mazet and Salle (1996) describe the milieu supporting a network of geographically related cooperative relationships and more specifically facilitating specific competences through their nurturing of social processes. This concept is important because as well as including geographical proximity (distance) as a network parameter, it also allows the actions of non-business actors and relationships to be considered within the network, i.e. it allows informal or tacit behaviours to be included in the analysis.

The recognition that power is not a unidirectional phenomenon and should be measured dyadically (Håkansson et al, 1982, Dickson, 1983) is critical to effective research into power. Sutton-Brady (2000) also demonstrates the importance of viewing power in dyadic terms. She uses data from the IMP2 project to demonstrate that both parties in a relationship can have very different perceptions of the relationship atmosphere and that this includes power and dependency.

Cox (1999) also supports this view, in his investigation of the role of power within supply chains, he points out that there are a range of different types of supply chain [*or net – our interpretation*] from highly contested entrepreneurial supply chains, e.g. Toyota, through to supply chains where one player has overall dominance, e.g. Cisco or Microsoft. He goes on to emphasize that understanding the power structure within a supply chain [*or net*] is a necessary prerequisite for managerial action. Hence, it can be argued that it is important to also look at power from a network perspective. Indeed, it could be suggested that power is the central force in the network that drives all others, that power effects the struggle for control over resources, the dynamics of the net and the tension between collaboration and competition.

A considerable amount of research into the distribution of power in exchange networks has been carried out by sociologists (Cook and Emerson, 1978; Cook et al 1983; Yamagishi, Gillmore and Cook, 1988). Unfortunately, although the titles of their work are very seductive, they are looking mainly at exchange between individuals, although they do suggest that organizations could be substituted for individuals. Their work is experimental in nature and conducted under laboratory conditions, so it is difficult to see its direct applicability to the understanding of power and interorganizational exchanges. However, many of their points have indirect applicability to this area. For instance, they believe that power and dependence cannot be understood from a simple dyadic perspective. They suggest that it is essential to invoke a network analysis of such concepts. They also discuss the importance of understanding the types of connection that exist in a network, i.e. whether connections are positive or negative. They see positive connections as being ones that facilitate exchange, while negative connections result in competition between connected parties for resources controlled by one of the parties (Yamagishi, Gillmore and Cook, 1988). They go on to suggest that:

"the distribution of power in a mixed network⁵ is a joint function of network position (i.e. the distance from the source points in a positive chain) and the control of resources (i.e. whether an actor controls a resource that is globally more or less scarce." American Journal of Sociology, Vol. 93, No. 4, page 850.

These ideas are important and should be used to add depth to the discussion on inter-organizational power balance.

Even Piercy and Cravens (1995) in their sceptical discussion of network organizations realize the central importance of power and politics in the success of interorganizational relationships.

In 1986 Thorelli commented that power was central to network analysis, where power is the potential to influence the actions or decisions of others. He believed that a participant's power manifests itself from the differential advantage that it has in the following inter-related sources:

- the economic base
- the technology used (the innovativeness of the players)
- the expertise involved
- the trust between the participants
- and the legitimacy of the relationship.

Axelsson (1992) also considered the impact of power within a network on corporate strategy. He provided a conceptualization of the way power is used in a network context, see Figure 1 below. He sees scope of power as the activities which a company can get another company to perform, while the extension of power is the range of companies that a firm can influence. Scope and extension of power develop from the control over resources (e.g. technical or personnel) of a firm, its power base (i.e. is this based on experience, coercion etc.) and the means it has to invoke power (marketing, threats, etc). Axelsson (1992) uses the generally accepted power bases of reward, coercive, expertise, informational, referent and legitimacy in his model. Vaaland and Håkansson (2000) use a subset of these power bases (non-coercive, referent, reward and expert, threats and coercive) in their model of conflict occurrence and intensity. They observe that it is not unusual for power to be used in order to access or claim resources from a cooperating party.

Another aspect of power that needs consideration is that of the influence of political decisions on a network of firms (Hadjikhani and Håkansson, 1996). They investigate political actions in the context of international marketing, specifically the interactions of the Swedish firm Bofors and the Indian Defence Ministry. They suggest that the notion that the influence of political rules is unidirectional and uniform is incorrect. Their work is particularly significant because it illustrates the importance of indirect influences on networks, particularly in the form of the impact of the media and political actions. Another concept which has relevance here is that of nonmarket strategy. Nonmarket strategies are described as those strategies that organizations

⁵ A mixed network comprises both positive and negative connections, cf. positive and negative networks which only comprise one type of connection and less common (the author would suggest that they actually are unlikely to be seen in reality).

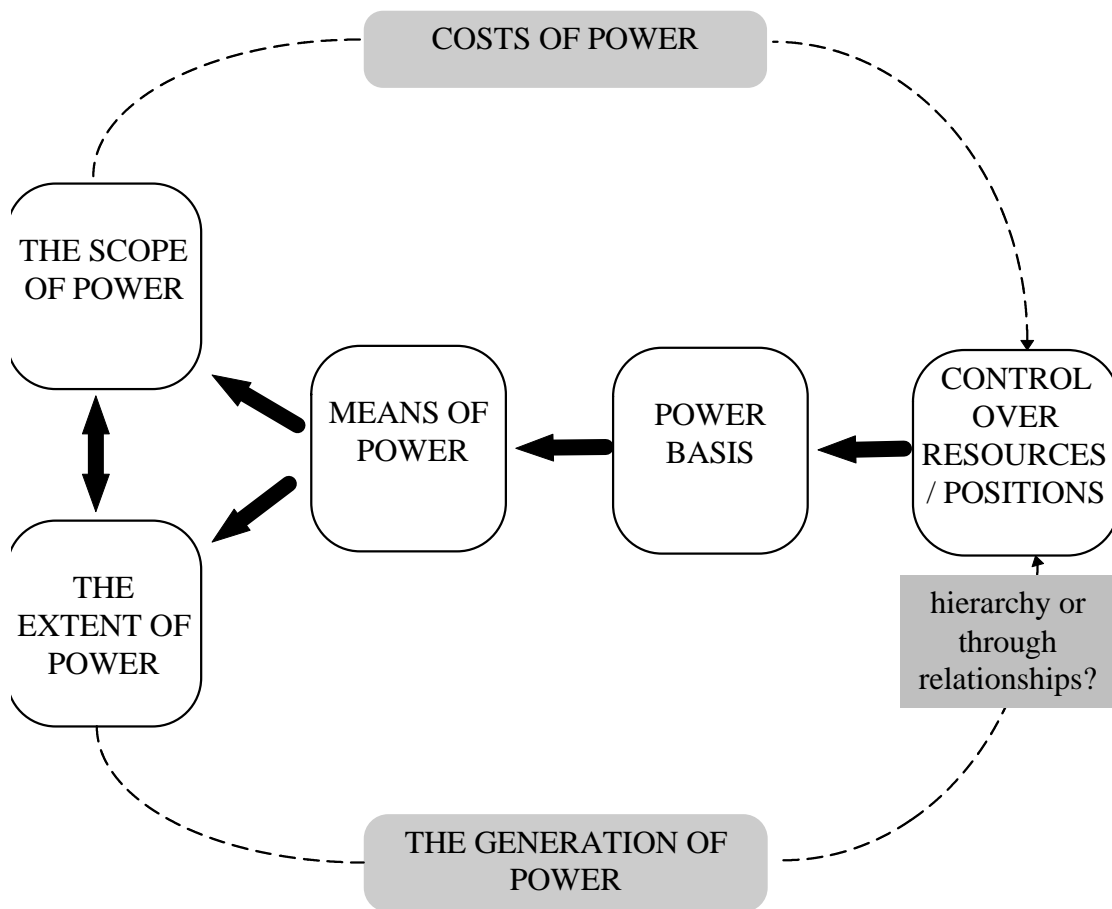
employ to deal with the social, legal and political (nonmarket) forces that affect the way they operate (Baron, 1995). Such strategies include lobbying and the use of promotional and advertising campaigns.

There seems to be a lack of empirical research into the role of power in networks, literature reviews (including literature from past IMP conferences) reveals research that either incorporates power as part of other network research or which reverts to a channel or other alternative conceptualization perspective; see Lee (1999), Duarte and Davies (1999), Katsikeas, Goode and Katsikea (2000) Vaaland and Håkansson (2000) and Fairhead and Griffin (2000), for instance.

Nonetheless, power and the other network forces identified by Håkansson and Johanson (1992) are critical to understanding and managing networks. Hence, it is important that researchers pay attention to the influence and role of power in business-to-business networks and that research into the phenomenon from a network perspective is urgently developed. Clearly, the notion of power and dependence within the various relationships atmospheres can be related to the power structure of the network. This, in conjunction with the issues discussed above, raises a number important research questions:

1. How does power manifest in a network?
2. Are there different levels of power in the network?
3. Can power be described from a network, cf. dyadic, perspective?
4. What empirical evidence is there to support or refute a network perspective of power?

Figure 1 Inter-Organizational Power in a Network Context



Based upon A New View Of Reality, page 190

The Research Project

This project investigated a service business network, the quasi market within the UK National Health Service (NHS). The research in question was carried out in the United Kingdom National Health Service (NHS) during the period 1997 to 1999. Although the NHS is a publicly-owned service it has been subject to a number of reforms during the 1990s (see Holliday (1995) for a summary of these). These have resulted in the formation of a quasi-market (or internal market) in which organizations buy and sell health care services - an organizational market (Scrivens and Witzel, 1990; Ham, 1994, 1997). The consumer is not economically active in the market and services are still funded through taxation. However, patients, regulators and government are all influential within the market. In the period 1st April 1991 to 1st April 1999⁶ the main actors within the quasi-market were:

⁶ In December 1997, further reforms were introduced. These came into effect on the 1st April 1999. They modified the purchasing arrangements by replacing the dual purchasers (health authorities and GP fundholders) with Primary Care Groups, which are responsible for purchasing all the health care requirements of populations of around 100,000.

Health Care Purchasers	Health Care Providers
Health Authorities	NHS Trusts
GP Fundholders ⁷	GPs
Private patients	Private units (hospitals or clinics)

The research was part of a much wider study which is reported elsewhere (see Zolkiewski, 1999).

The complexity and exploratory nature of the research necessitated a flexible research method. The study explored the relationships between purchasers and providers of health services and addressed the questions outlined above. Thus, a methodology that facilitated the handling of rich and multiple sources of data and data collection was needed (Easton, 1995). A case study approach was chosen for this task because it provided the ability to use in-depth qualitative methods such as open-ended interviews and participant observation (Bonoma, 1985, Zinkhan and Zinkhan, 1994, Lewin and Johnston, 1997).

A case study protocol (Yin, 1994) was developed as the basis for the research. The case studies investigated the network of exchange relationships surrounding the purchasers and providers of primary health care in England⁸. Each of the case studies had a community trust (a provider of community nursing and therapies) as the focal organization. The focal networks that were investigated included:

- the purchasers of that health care (health authorities and GP fundholders)
- alternative health care providers (usually acute trusts, which provide accident and acute care)
- regulators (the National Executive), and
- patient representative organizations.

The case studies were chosen according to geographic criteria to illustrate dissimilar settings (Denzin, 1989). The first case study focused on a large city, the second on a rural area and the third on a town.

Information was collected from 60 in-depth, semi-structured interviews with a number of actors from the network, documents collected during the case studies and direct observation of interactions between the actors. Data was collected over an 18-month period ending in December 1998. Managers responsible for purchasing health care (from the health authorities) and GPs and fund managers from GP fundholding practices were interviewed. In the provider trusts, the managers who were responsible for the contracting and provision of services were interviewed. The interviews were written up immediately and were later analysed and coded following guidelines laid out by Miles and Huberman (1994). Data collected from direct observation and documentation were also analysed in the same manner.

⁷ GP Fundholders have a dual role, acting as both purchasers and providers of health care, discussion of which is beyond the scope of this paper.

⁸ Primary care was chosen as the focus of the research because of its importance in health care delivery and the growing worldwide emphasis upon it.

Overview of the Case Studies

All three case studies took place in the north of England and focused on health care providers (community trusts). Community trusts provide services in the community (not in hospital), such as district nurses and health visitors and therapies (e.g. physiotherapy and speech therapy). The names of all the participants have been disguised in order to preserve confidentiality. A key to the organizations covered by the research is provided in Appendix A. The cases are described below.

Case study 1 focused on an inner city community trust, Citycom, which covers a population of around 435,000. The population has both a high health need and a high dependency on health care provision. (For example, there are high levels of heart disease and drug and alcohol abuse). The focus of the second case study was a rural community trust, Rucom. Rucom covers an area that is largely rural by nature, although it does include a number of towns and a small city. The area has a population of around 320,000 and also has pockets of extremely high health need. The third case study focused on an urban setting. Urbcom, is the community service provider for the town and the local rural areas. It serves a population of about 185,000.

Findings

Power has been described as one of the most important factors in the NHS. For example, the power of the various factions such as hospital consultants and general practitioners has been identified by commentators as causing the imbalances and inefficiencies that have always been present in the system (see Taylor, 1984). Equally, the power of the government, expressed through legislation, policy guidelines and rules etc., affects decisions at every level. However, some commentators believe that the internal market has effected a change in the balance of power in the NHS. Consultants in the provider trusts are now having to take account of GPs' buying power (Ashburner, Ferlie and FitzGerald, 1996). Although others believe that the service remains dominated by the provider trusts (Salter, 1998). (See Zolkiewski (1999) for an expanded discussion of this.)

In all three case studies power balances appear to be inherent. This can be seen simply by comparing the sizes of the organizations involved, in terms of turnover and number of people employed:

	Income (£ million)	No. of employees	Notes
Citycom (case 1)	40	1,650	1
Rucom (case 2)	28	1,044	1
Urbcom (case 3)	35	1,400	1
Average standard fundholding practice	1.7	5 partners plus support staff	2, 3

Notes:

1. Sources: Annual Reports of Community Trusts, full references not provided in order to maintain anonymity.
2. Source: Audit Commission (1996).
3. The average budget is usually split as follows: 55% on hospital and community care, 38% on drugs prescribed and 7% on practice staff (Audit Commission, 1996).

In all three cases income from fundholders accounted for less than 10% of the community trusts' total income. Despite this, individual fundholders could occasionally effect changes in service provision. Usually, individual fundholders appeared to be ineffectual at getting large trusts to change their service provision or administrative and management procedures anywhere other than at the margins. However, we found evidence of a number of instances where nets had been used to achieve both service and administrative changes. Additionally, evidence was found which illustrated the complexity of power and the myriad of perceptions about where the seats of power were within the network. These instances are outlined below.

The Contracting Initiative (Case 1 - Inner City)

The Contracting Initiative is the name given to an initiative instigated by all the city's fundholders with the support of KHA (the health authority for the city). It resulted in considerable changes to the contracts between individual fundholding practices and Citycom (the community trust for the city). The net evolved from a routine meeting between representatives from both KHA and the fundholders in the city. It appears to be one of the most significant sets of changes introduced in Citycom's arena.

The problems which spawned the Contracting Initiative had been building up since the formation of the internal market. They focused on three key issues:

- Inadequate cover, for both maternity leave and sick leave.
- Communications, practices felt that they were not being consulted when staff were being seconded, or moved.
- Inadequate clinical information being passed to the fundholders.

In late 1996 the fundholders discussed these problems during a routine meeting with the health authority and it was decided that they needed to act as a group in order to effect change at Citycom. Hence, they formed a 'fundholding steering committee' that included representatives from the fundholders and one representative from the health authority, KHA, and which reported back to the group as a whole. In effect the net was managed by consensus. The Contracting Initiative took the format of a set of regular meetings between the fundholding steering committee and a group representing Citycom. The negotiations also covered imposition of financial penalties upon the trust for failing to meet agreed performance levels in any of the areas covered.

A range of outcomes resulted from this initiative. The contracts between all the individual GP fundholders and Citycom were revised to include changes to the level of cover provided, the management structure of Citycom, contract monitoring, the

communication process and service provision report timings and content. It also resulted in a much better working environment for all involved.

Joint Contracting (Case 2 - Rural)

In the second case study most of the fundholders were found to be contracting as a group with the local acute trust (St Damian), i.e. there was one contract between St Damian and the group of fundholders. (This was different to the situation in Case 1 where the fundholders each had individual contracts with the trust.) The decision to contract as a group came about because of the demands that St Damian was placing upon the fundholders. St Damian was reported to have asked each fundholder to contract for precise numbers of specific operations. But the fundholders felt that they could not do this because they were very small organizations and such a contract would not provide them with enough flexibility. The fundholders were a close-knit community. They had started to liaise closely when they took on fundholding status. Hence, they did not see any barriers to joint contracting. Four fundholding practices began to draw up an agreement to cover their joint contracting. However, after the initial preparation and discussions, one practice decided that it would not be involved. It was reported by one fund manager that that the practice

"did not think along the same lines as the other three practices".

The other three practices went ahead with their joint action.

The joint contracting has been successful. The group meet regularly and have a large amount of informal communication via the telephone; it is managed by consensus. For example, they divide the tasks associated with contracting between themselves according to their strengths and weaknesses. The GP fundholders feel that it is more convenient to contract as a group and perceive that they have much more flexibility over the care they can purchase. These findings can be seen to support the concept of milieu proposed by Cova, Mazet and Salle (1996) especially with respect to how the actors have developed their own specific competences within the net.

In 1996/97 another practice became fundholders and joined in the joint contracting group. Interestingly, it was reported that, with the expansion of the net, the consensus among the practices began to break down. Indeed, it was felt that if fundholding had continued, the contracting group would have returned to its three original members.

Strength In Numbers (Case 3 - Urban)

Case 3 also provided an interesting example of how fundholders had worked together to solve a problem that had arisen at the local acute trust, St Cosmos. A fundholding manager summed up the result as follows:

"It has been interesting to see the impact of the strength in numbers."

The situation is described in the box below.

Solving a Problem at St Cosmos

At one point St Cosmos suddenly began to charge fundholders for an additional activity⁹. All the fundholders were angry about this and so they worked together on the problem. They 'stamped their feet' and let the hospital know that this wasn't acceptable. (It was perceived that the stimulus for the action by St Cosmos was the discovery that it had a big deficit, around £1.5 million.) Even so the fundholders felt that it was not an appropriate way of solving the problem.

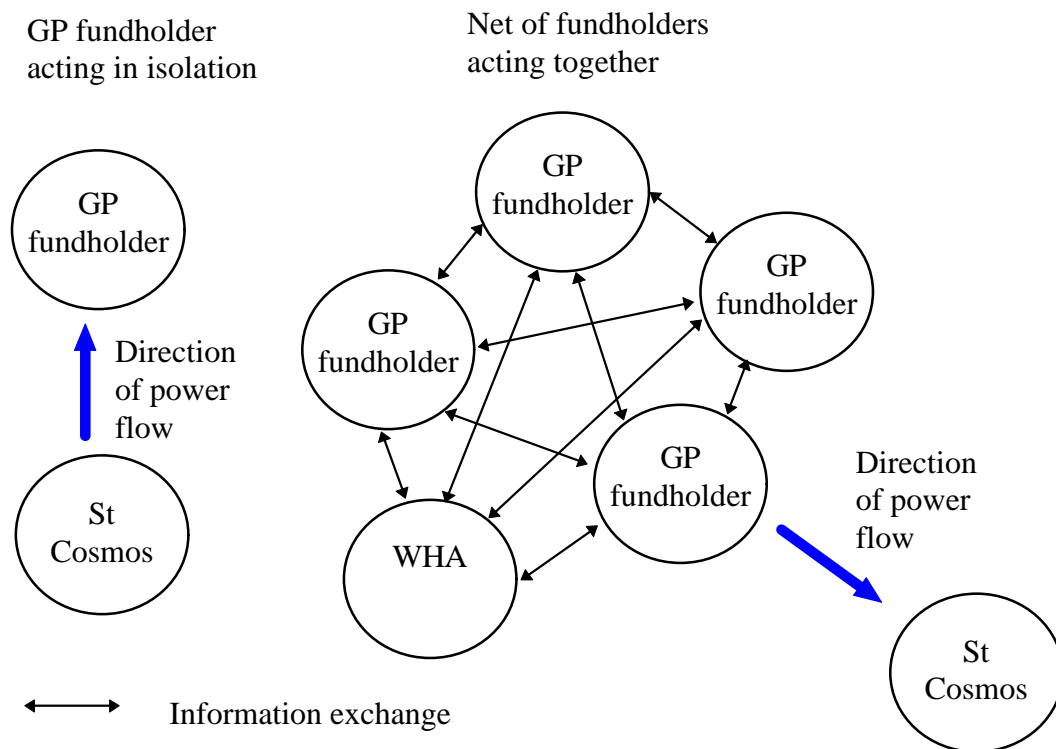
Eventually, the fundholders working together with WHA, agreed to put some of their savings into the hospital to try and help solve the problem. This action had a very positive impact, St Cosmos was happy because they were getting support from the fundholders and WHA was also happy with the outcome. There was also an added knock-on effect on the non-fundholders, who were delighted to see that fundholders were supporting the local hospital. However, of course, the fundholders savings were not enough to solve the deficit problem at St Cosmos.

Figure 2 shows, using the example from above, how a net of actors can exert much greater power and influence than a single GP fundholder.

The vignette illustrates how small actors can work together effectively to exert power on larger actors and the usefulness of activity maps in such situations. It also clearly shows the complexity of such situations with clear indications of the indirect impact of power (e.g. the positive impact this incident had on non-fundholding GPs in the area).

⁹ They were making additional, separate charges for a procedure, which was previously included with another procedure.

Figure 2 Problem Solving Net



The Complexity Of Power

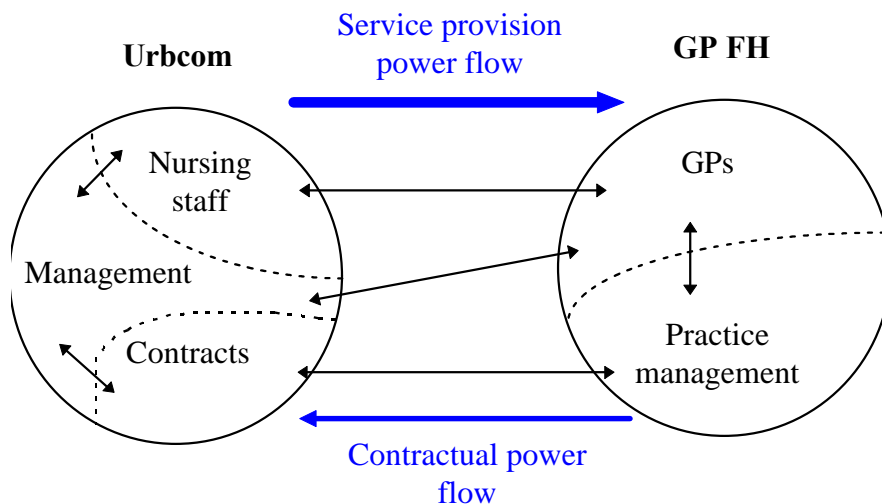
Case study 3 provided a vivid example of the complexity of power within the network. In the context of relationships, power can be exerted in many ways and an interesting manifestation of this was described by an interviewee from Urbcom, see below.

Complexities of Power

There was evidence that a couple of GP fundholders had been approached by a community service competitor. These GPs appeared to be on the point of changing provider, when their district nurses exerted their influence on the situation. They are reported to have told the GPs (in no uncertain terms) that they were not prepared to move to the alternative provider and that they wanted to stay within their existing management team. At this point, the GPs decided to leave their contract with Urbcom.

This vignette shows that power, in the context of purchaser-provider relationships, is not a uni-dimensional or uni-directional variable, see Figure 3. It also suggests that, in service environments, power over resources is especially complex as the resources (people) can add extra dimensions to the power struggles. It could be suggested that this occurs because of fears over service heterogeneity. If you have a service provider who provides service that meets your requirements, fears about getting an equivalent replacement may influence other operational or contractual decisions which you make.

Figure 3 Complexity of Power Flow



Perceptions Of Power

Case Study 1 (Citycom)

Perceptions of power varied from interviewee to interviewee and from organization to organization. However, there was consensus on a number of points and conflicting views on others. These are discussed below:

Changes in Power and the Internal Market

It is generally perceived that a major achievement of the internal market was to redistribute power bases in the NHS. This is summed up by one senior interviewee who described the introduction of the internal market as breaking 'the medical mafia' in the hospitals - the consultants lost their power base, and as fundholding grew the fundholders started to try and exercise their power.

Indeed, one GP fundholder explicitly stated that the practice had become fundholders for one main reason and that was power - so that they could gain some control over what happened to patients. He summed this up by observing:

"Before fundholding, when did a consultant ever go to see a GP or try to find out what GPs wanted?"

Fundholders' perceptions did vary, with another suggesting that there were power imbalances due to the different sizes of organization. However, he felt that the acute trusts, cf. Citycom, were much more willing to take advantage of the situation.

It is commonly assumed that fundholding, or the motivation behind fundholding, was to gain power and that this power was associated with the relationships between GPs and consultants. However, two fundholding practices had other motivations. These

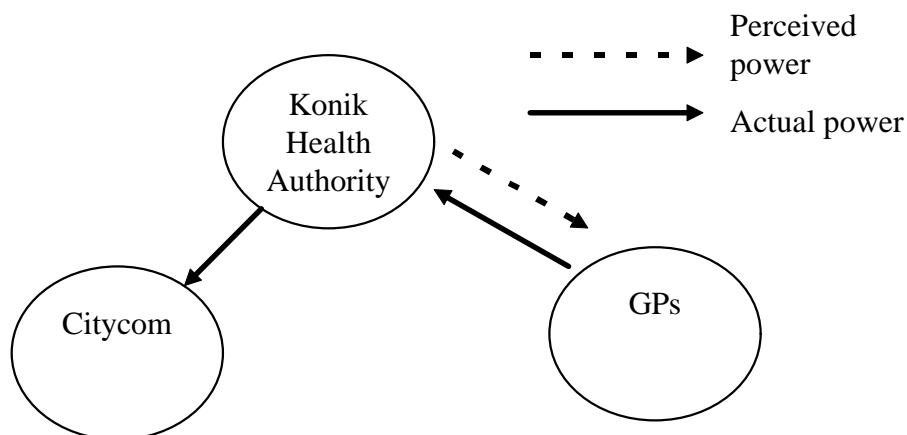
were based around practice staff - in one case it allowed them to have a nurse practitioner and a health assistant, while in another it allowed them to employ service staff jointly across health authority boundaries.

Interestingly, interviewees from Citycom had a range of perceptions about power; from feeling that they held the power with respect to GPs, to feeling that GPs held the power. It was also reported that GPs and the practice staff relished the power that fundholding had given them. A couple of interviewees also felt that they shared power with KHA. This supports Sutton-Brady's (2000) findings that both parties in a relationship can have very different perceptions of the power balance within a relationship.

Another example of the use of power is given in the incident where a Locality Manager would not accept a contract (from a fundholding practice who had moved one of their nursing contracts to a neighbouring trust for a year) unless the practice took a three-year contract, cf. the usual one year contract. However, this could be seen much more as an example of the use of personal power rather than organizational power.

The perspective of interviewees from KHA was somewhat different to that of the interviewees from Citycom. Although the power base in the relationship between KHA and Citycom was perceived to be straightforward, the situation with GPs was not perceived in the same manner. With some interviewees observing that the GPs would probably feel that the power lay with KHA while they would feel that the GPs had the power. This is best illustrated pictorially, as in Figure 4.

Figure 4, Perceptions of Power



One of the most interesting statements made by an interviewee, when discussing power, was as follows:

"Really, it depends on which stakeholders you have on your side"

This illustrates how much influence the network actually has on the power plays within the system. The same respondent also commented that, increasingly, KHA is

able to influence mainstream secondary services, yet the specialist services, such as cancer, are still dominated by very powerful consultants. He also perceived GPs as having a lot of power.

Another interviewee from KHA saw power constantly changing according to the issue at hand. For example, he felt that the NHS Regional Executive¹⁰ actually had a lot of power in terms of contract negotiations simply because of the number of times they end up going to arbitration. While in everyday terms, especially over drug prescribing, the trusts were very powerful; they could even blackmail KHA by threatening to go to the press. In terms of strategic change, he felt the power was with KHA; but he also commented that getting business cases approved depended to some extent on the personalities involved. His views revealed that outsiders can also exert a considerable deal of power within the network. For example, social services has, by using bed blocking tactics, forced KHA to set aside money to give to them to move people into residential care. Additionally, he felt that individual politicians are also very powerful, with one letter from an MP often moving things along.

All the above points illustrate a range of perceptions of power bases. However, perhaps the most important observation, which is apparent from this range of views, is that patients' needs sometimes get forgotten about in these 'power struggles'

Government was mentioned a number of times within the context of power. It was felt that the 1997 December White Paper had effected a change in the power structure, with acute trusts, in particular, no longer taking notice of fundholders' requirements.

It is apparent that the government can have significant impact on the relationships between trusts and other organizations; simple changes to legislation can have huge impacts on the trusts. For example, regulation changes brought in under the Primary Care Act would have removed the obligation upon purchasers to buy minimum levels of community nursing care. At the time there was great concern that this would result in the community care sector being squeezed. However, this was superseded by even more significant changes to the market (introduction of primary care groups).

A central issue of power is that of control over staff, a number of interviewees commented upon this, in particular control of the community nurses. One interviewee noted that fundholding had provided them with more influence and control over the community nursing staff but observed that it had not had the same impact on relationships with consultants! Within Citycom there appeared to be some resentment over GPs considering district nurses to be *their* staff.

One GP reported that power and influence (e.g. the power to change provider) don't really matter if the staff you are working with aren't interested, all that happens is that you end up with a '*crap*' service. He gave an example to illustrate this that revolved around the introduction of a service adaptation.

¹⁰ The Regional Executive is the regional office (for the area in question) of the NHS Management Executive, the body responsible for the management of the NHS.

The Power of the Individual

The practice was in an interesting position, operating two separate practices in two separate health authority areas. They decided that they wanted the district nurses to start running dressing clinics on a weekly basis at the GP practices. The district nurse from one area took to his idea very well and now provides such a service every week; whereas the district nurse from the other area was not willing to do this at all, they ended up forcing her to run the clinic. In the end she sabotaged the clinic by not turning up at short notice and by cancelling clinics.

This illustrates the difficulty of service provision that integrates personnel from more than one organization; the effective lack of control of community nurses by GPs can be seen to result in poorer services in certain circumstances. It also illustrates the crucial nature of personality and team working in such a situation. Again we see the influence of people/personality upon service provision and network dynamics. A number of interviewees commented upon the fact that within the NHS many staff stay in the same position for 30 years. This, perhaps, provides a partial explanation of some of the instances of personal power, which have been found in the case. Being in the same job for such a long time must have implications for the way they react to change, new working practices etc., and their own personal network of relationships (personal power).

In addition to external power bases, which have been considered above, internal power bases also seem to be important in understanding community services. A number of interviewees commented on the difficulty of forming an integrated community trust, noting that the three units which were merged had very different organizational and operational cultures. Additionally, a perceived north/south divide across the city was also mentioned as causing problems. Also the issue of the power of the Chief Executive at Citycom was raised by a number of interviewees, both from within and without the trust.

Case Study 2 (Rucom)

The perceptions of power, which emerged in this case, were particularly interesting. The use of power was not a dominant theme in any of the discussions and a number of participants did not recognize it as an important factor. However, there were many undertones, which demonstrated a subtle use of power.

Equity appeared to be a major concern and was raised by a number of interviewees. One GP fundholder noted that it was of such concern that they had actually included an appropriate clause in their contract with St Damian. The clause stated that none of their patients should be seen in preference to the patients of non-fundholders. Despite this, there appears to have been a strong perception that non-fundholders' patients were treated differently. It was claimed that some providers openly discriminated between the patients of fundholders and non-fundholders. It was also reported, that as

a result of this discrimination, there had been a number of formal complaints from the patients of non-fundholding GPs. This clearly illustrates a complex web of power-related actions, with trusts demonstrating their power to choose who they treated (almost certainly in order to maximize their income), while patients were resorting to the complaints system in an attempt to influence the situation. The fundholders almost appear to be bystanders in this, having tried to prevent such a situation from arising by including the equity clause in their contracts. The situation is also interesting because it clearly demonstrates the existence of indirect power.

It was perceived that by becoming fundholders they gained more power and this allowed them to 'threaten' the local providers, to put pressure on them to improve services. This was especially the case with St Damian, who were initially not prepared to listen to individual GPs. It was also reported that the notion of the internal market resulting in a transfer of power from GPs to consultants was simplistic. It should be recognized, that at the same time within trusts, there had been an internal shift in the power balance, with there also being a transfer of power from consultants to managers. This indicates that power balance needs to be considered in at least triadic terms for it to be meaningful.

In terms of power, one GP believed that:

"Money brings power - it is money which has made the difference."

Case Study 3 (Urbcom)

A range of opinions about the balance of power was presented by interviewees in this case study. Power was perceived to be particularly complex, with many stakeholders having an influence on decisions. For instance, it was felt that it was simplistic to say that all the power lay with WHA. Another view was that power still really lay with WHA even though fundholders had some power. Interestingly, the power of the Local Authority was also perceived to be growing, especially since its boundaries had become coterminous with Urbcom and St Cosmos.

However, the simple perception that power and money went hand-in-hand was also mentioned by more than one contributor. For example, one GP felt that:

"Under fundholding money definitely talked, it facilitated changes that would have never come about otherwise."

The relationship between power and money was not always perceived to be simple. A senior manager from Urbcom believed that power was jointly held between WHA and GP fundholders. This was despite the fact that only something like 20-25% of income came from GP fundholders, it was recognized that it was fundholders who were most volatile.

Yet another perspective was that money was not really power, because St Cosmos banked on fundholders not doing what they threatened. However, Urbcom responded very differently to threats. It was well known locally that some GPs had threatened to move their contracts if Urbcom did not respond to their requests. Such threats were perceived by some to be 'blackmail' and outside the ethos of the internal market (which was surely intended to protect local services not destroy them?).

A fundamental shift of power within provider trusts was also perceived. This was a shift between clinicians and management. It was perceived that the internal market had made the divide between clinicians and management even greater than it was before. It was also suggested that it had brought the clinicians and WHA closer together. It was even reported that clinicians will now ring senior management at WHA to try and enlist their support when they are:

"Exasperated with the behaviour of the managers in their area".

This clearly indicates attempts to invoke outside intervention (an indirect use of power) and shows the complexity of power relationships within the internal market.

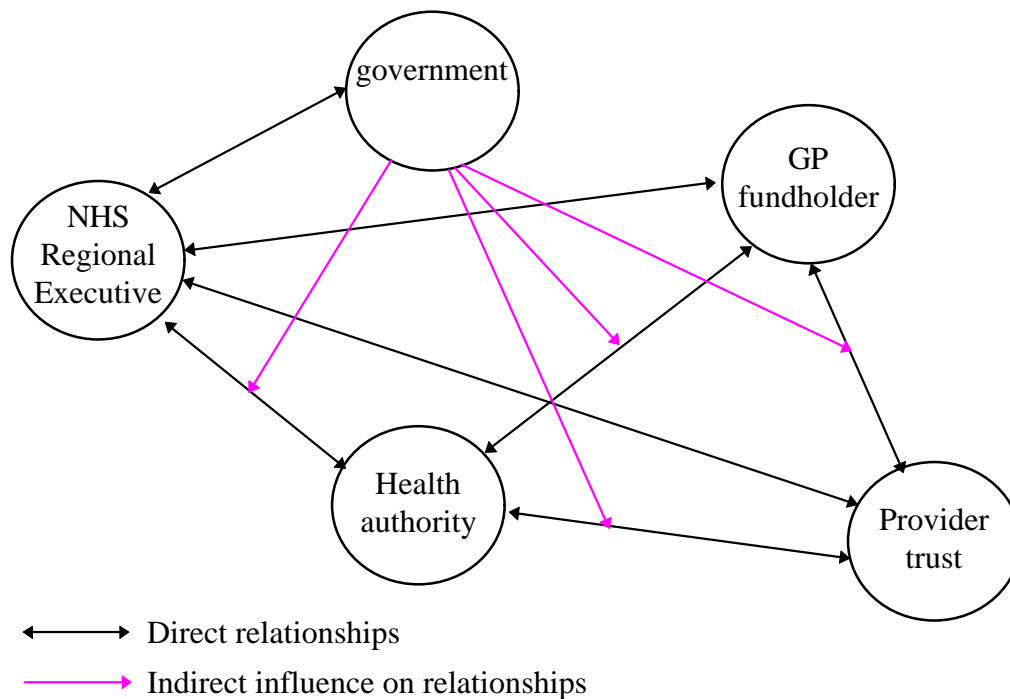
Discussion

The dynamic nature of power was clearly illustrated in all three cases and, at times, it could even be described as turbulent. Turbulence was not always caused by the direct action of members of the net. Often, the stimulus for the turbulence appeared to be changes in government policy, which appeared to dramatically change the power bases. For example, the introduction of the internal market was accompanied by a perceived shift of power towards GP fundholders. However, the move to primary care groups and trusts has changed the balance again, with a number of trusts deciding that they no longer need to take account of fundholders.

In terms of power, a complex web of relationships was found to exist with indirect as well as direct influences being evident, see Figure 5 for a diagrammatic representation of this. A range of indirect influences on the power base was apparent, including the health authority, the NHS Regional Executive, patients and the press. Additionally, all the power bases identified by Axelsson (1992) also appeared to be have been used by the various actors in the case.

Such findings are supported by the earlier work of Hadjikhani and Håkansson (1996), who discuss the impact of political actions and media on the power in networks. They point out that power is not uni-dimensional and that political actions have different impacts according to a firm's position in a network. These findings also stress the importance of remembering that power is part of the atmosphere and environment of a relationship and should not be considered as a separate issue. The findings also illustrate the impact of nonmarket strategy within the network and have many similarities with the example cited by Baron (1995). He describes how concerted lobbying and promotional and educational campaigns have been used by the major pharmaceutical and biotechnology companies in the United States. He asserts that these strategies helped to prevent the adoption of the Clinton administration's proposed restructuring of the United States' health care system.

Figure 5 Indirect Influences on Power Bases



The notion of the multi-dimensionality of power was also very evident in all three cases. In part, this may be due to the nature of services, where people are one of the main resources. For example, in case 3, it was apparent that different personnel/disciplines had different power flows (i.e. it appeared that service delivery personnel were more influential than contractual personnel). This type of power is similar in some ways to the bottom-up power identified by Fairhead and Griffin (2000). Such an observation is also implicit in many of the descriptions of power in the other two cases. Indeed, three levels of power were noted in the nets. For example, at the interface between personal and organizational power, issues such as disagreements over the control of community nurses were apparent. The existence of internal power bases was most apparent in large organizations, such as the provider trusts and health authorities. The complexity of power within a network was also demonstrated by Ogbanna and Wilkinson (1998).

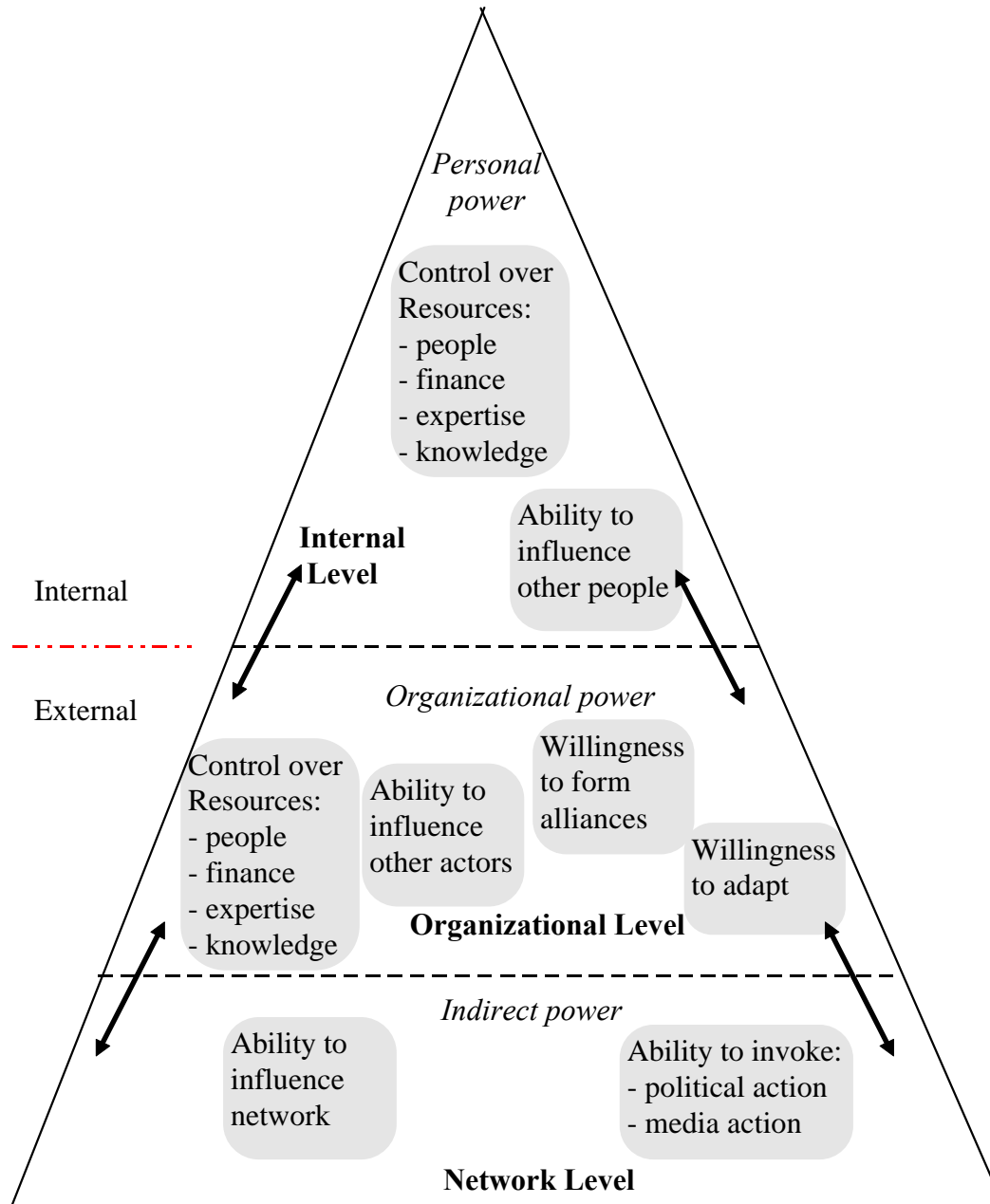
The notion of three levels of power within a net can be developed diagrammatically, as in Figure 6. Figure 6 shows how the levels of power can be described in terms of a pyramid, which comprises:

- personal power (internal)
- organizational power (organizational)
- indirect power (network).

Personal power involves control over resources (people, finance, expertise and knowledge) and the ability to influence other people. Organizational power involves control over resources, ability to influence other actors, willingness to form alliances and willingness to adapt. Indirect power involves ability to influence the network and

the ability to invoke political action and/or media action; it could also be described in terms of nonmarket strategy as suggested by Baron (1995).

Figure 6 Pyramid of Power Levels



Another interesting observation, relating to the power balance in a dyad, was the way bureaucracy was used to ameliorate power. For example, there were often joint chairs committees, etc. (Although there is no reason to suppose the same is not true for the network.) Such findings need further investigation to determine if this is peculiar to public sector environments.

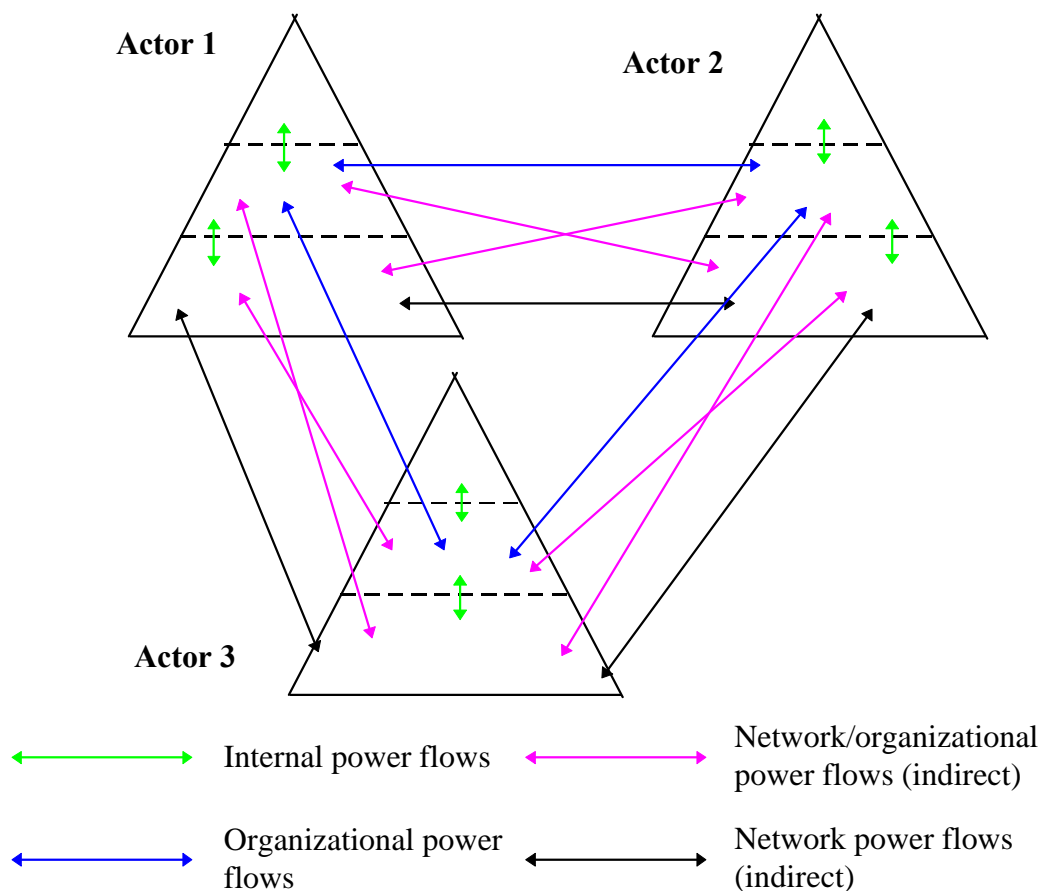
In all three cases, nets of GP fundholders jointly addressed either problem solving (Cases 1 and 3) or contracting (Case 2). Such actions illustrate how nets of actors can use their combined power effectively. The cases demonstrate how small, individual actors can work effectively together (informally and/or formally) as a net and achieve changes that, as individual actors, they would not be able to effect. Figure 2 shows, using the above examples, how a net of actors can exert much greater power and influence than a single GP fundholder. In reality, such observations are simply a confirmation of the old adage of 'power in numbers'.

Deeper analysis of the motivation behind joint problem solving/contracting also provides some insight into the power bases in the network. In Cases 2 and 3, the power from a net appears to have been used to redress the balance of power between GPs and acute trusts, while in Case 1 it was used to ameliorate the situation with the community trust. It can be speculated that, because of the extremely competitive situation in the acute sector in Case 1, the power of the individual fundholders was enough to provide them with the capacity to negotiate individually with the trusts. While in areas which were less competitive, bigger players were needed to ensure equity within relationships. Again, such a supposition reflects network influences on individual dyads and shows how strongly inter-net competition can impact upon the power balance in the network.

Such findings also imply that analysis of resource constellations in a network will give an indication of the power balance. For instance, nets with a multiplicity of resource constellations are likely to have fewer dominant actors than nets where only one or two main actors control the majority of resources. These findings support the views of Liljenberg (1997), who believes that buyer choices fuel competition within a network. For instance, we have seen that when there are choices, competition is much more evident than when there are not.

Figure 7 develops the notion of the levels of power further, by illustrating the potential power flows in a network. It shows the different power flows, which can exist, between three actors in a net. Clearly, it can be amended to include other actors, but such a diagram would be marked by increasing complexity. Therefore, this diagram only shows three actors.

Figure 7 Network Power Flows



Management Implications

The multidimensionality of power and the range of levels at which it can be manifest within a network present important management challenges. Managers need to be aware of the different bases (both direct and indirect) and levels of power. They should ensure that such awareness minimizes the chances of them (and their organizations) being held hostage by the power plays that can take place within a network. It would be naïve to suggest that managers try to manage power flows within the network. However, they should carefully consider the power issues that are related to access and control over resources, processes and personnel (such as finance, people, materials, expertise and knowledge) and they should look at these issues from an individual, relationship and network perspective. These findings also suggest that managing indirect power flows, i.e. the ability to influence the network, media or political action is an important management task.

The observations of nets being used to redress the balance of power in various situations have important implications for management. Clearly organizations must understand the balance of power within the network AND the state of other existing (or potential) relationships before they attempt to manage the network. This is illustrated in all the cases above, where the managers in the large trusts seem to have seen their position in terms simply of the individual dyadic relationships with the

fundholders. Fundholders, on the other hand, seem to have been much more aware of how they could act together to instigate change from a major actor.

Conclusions

The findings presented and discussed above provide information/evidence that can be used to answer all the questions that inspired the research. Many examples of how power is manifest in the network were given by respondents and the evidence simply confirms the complexity and turbulence of power within a network. Clearly, describing power in a network context is even more complex than describing it from a dyadic perspective. However, the evidence presented here (and summarized in Figures 6 and 7) suggests that there are a number of levels of power evident within business-to-business networks. These are at the:

- macro (network) level
- meso (relationship) level
- micro (inter-personal) level.

Thus different power layers can be identified in the network. These are in addition to the bases of power commonly discussed in the literature. Of course, network power is derived from all the power bases that are associated with resource ties, activity links and actor bonds within the network and is derived from the atmosphere and environment of the relationships that comprise the network.

The cases used to illustrate the use of power in a network context provide an important stimulus to both theory development and increased managerial competence. From a network perspective, it seems that much energy has gone into analysis of actors bonds, resource ties and activity links while other network forces have not received as much attention. In order to place industrial network theory into the sphere of management practice, care is needed to ensure that the understanding of the other important network forces identified by Håkansson and Johanson (1992) is promoted, i.e. network power and knowledge structures and intertemporal dependencies.

These research findings and associated theoretical developments are important because it opens up a number of areas for further research. For instance, are these findings specific to the NHS? Or can they be applied more widely, in service or industrial markets? Additionally, the model requires further development in areas such as whether the different levels of power have equal weightings.

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Appendix A Organization Key

Actor	Organisation type		Case Study
St Claire	NHS Hospital Trust	Provider	1
St Genesis	NHS Combined (Community and Hospital) Trust	Provider	1
Citycom	NHS Community Trust	Provider	1
Konik Health Authority (KHA)	Health Authority	Purchaser	1
St Damian	NHS Hospital Trust	Provider	2
Rucom	NHS Community Trust	Provider	2
Northcom	NHS Community Trust	Provider	2
Tarpan Health Authority (THA)	Health Authority	Purchaser	2
St Cosmos	NHS Hospital Trust	Provider	3
Urbcom	NHS Community Trust	Provider	3
Warren Health Authority (WHA)	Health Authority	Purchaser	3

Acknowledgements

The author would like to acknowledge the continuing support and guidance of Professor Peter Turnbull, without whose encouragement and patience this work would never have been completed. She would also like to thank the contributions made by the two anonymous reviewers whose suggestions have helped develop the breadth and scope of the paper.