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PROBLEMS IN RELATIONSHIPS: WHEN IT ALL GOES WRONG

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INTRODUCTION

The idea behind this paper is to start to examine *problems* in business relationships. Some of the questions raised are about how and from where problems arise, when they are recognised by participants, what are their reactions to them, what are their effects on the companies concerned, on their relationship and the wider network. The paper examines relationship problems by using the “Model of Managing in Networks (Ford et al 2003) and in doing so, it provides an illustration and explication of the model.

MANAGING RELATIONSHIPS: ASSESSMENTS, ASPIRATIONS AND PROBLEMS

Both business customers and suppliers are exhorted by the purchasing and marketing literature, respectively to manage their relationships in order to

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achieve *their own* aims and objectives. This leads to the interesting question of what actually happens when these two separate management strategies actually come face to face in a relationship. Perhaps both companies will have the same assessment of the situation of the relationship and the same, or mutually compatible aspirations for its development. But it is more likely that there will be divergence in these assessments or aspirations so that action on the basis of one of those assessments or aspirations may be acceptable to one of the companies but cause *problems* for the other.

Some of the marketing and purchasing literature sidesteps the real-world of differences in assessments and aspirations between customer and supplier by taking the view that business relationships can become “partnerships”, in which overall mutuality of interest, appropriate attitudes and good management can overcome any problems of different assessments and aspirations. This view infers that all business relationships *can and should* be developed towards some ideal state based on mutual interest, joint decision-making and a common commitment to the long-term future of the relationship. It also infers that some common standard of “quality” of relationships could be applied across different relationships, whether in a single company’s portfolio, across different companies and from the perspective of either customer or supplier.

In fact, business relationships are perhaps best viewed as an *arena* in which numerous interaction-episodes are played out. These episodes are driven by the separate assessments of a number of individuals in each of the participating companies about the past, current and potential value of the relationship and by the problems that they recognise, in and between the companies and elsewhere in the surrounding network.

What happens in each relationship is affected by the attempts of *both* sides to manage it. In this way, relationships acquire a life of their own, so that their direction is not just the outcome of the intentions of either or both of the two parties, but also of what happens *between* them in the relationship itself. This means that no two relationships are ever alike, even if they are both based on the sale of the same product or service or involve superficially similar suppliers or customers. It also means that the ability of any company to manage a relationship is limited by the actions of its counterpart as well as the dynamics of the relationship itself. In practice, the ability of a company to manage its relationships is likely to be less than the opinion of the company itself would indicate! Relationships also do not follow a pre-

determined path, or a fixed *sequence* of identifiable stages. Instead, they may be in a stage of growth, development, decline or inertia on a number of occasions in their life.

Finally and most importantly for this paper, the restrictions on the abilities of all companies to fully manage their relationships in the direction they desire also means that problems can arise within them at any time and in any stage and that those problems may be difficult to solve or to live with.

PROBLEMS WITHIN THE NETWORK

Many of the problems that manifest themselves to either or both of the companies in a relationship may not have their origin in the companies themselves, or in their interactions with their counterpart, but from anywhere in the network. Similarly, the actions of companies in a single relationship may have effects not only in that relationship but in many others, perhaps at a distance in the network. This leads to the question; What are the effects on companies and relationships of problems that arise from elsewhere in the network?

Inevitably the analyses made of their relationships and the wider network by both suppliers and customers will always be imperfect. The time horizon they are able to consider may be too short to anticipate major problems and may often be restricted to a single transaction. Also the strategy they develop for each relationship and for their network position will always be imperfectly thought-through. But business relationships are prime assets of all companies, so both customers and suppliers that seek to develop their businesses *have* to try to manage them. Because of the multiplicity of *sources* of problems, managers' ability to identify these problems is likely to be as critical as their ability to identify opportunities. Similarly, a company's ability to decide which problems to address, which to live, how to recover from a problem or to supervise the ending of a relationship that has gone "wrong" are vital managerial skills.

A STRUCTURE FOR EXAMINING PROBLEMS IN BUSINESS RELATIONSHIPS

Problems in business relationships and networks are both complex and ubiquitous!

A problem is an actual or potential source of difficulty or danger for a company or an individual and any issue, situation or occurrence anywhere in a network may be a problem.

Many problems exist that are un-recognized by those affected by them, or by others. Some problems are common to many companies, whilst a few are unique to a single company or relationship. Many problems are recognized by some of those concerned and not by others. Some are recognized and ignored by all concerned. Some problems are lived with continuously. Some just go away after a time. Other problems are recognized by those who cannot deal with them. Some are dealt with by one company, while others require cooperation between two or more companies. Many are unsolved despite the best efforts of many companies. Some are unsolvable. The solutions adopted for some problems only lead to further and more difficult ones.

Problems can arise inside a relationship within the actor bonds, resource ties or activity links between the companies. For example:

Individuals may argue over whose responsibility it was for a particular equipment failure.

An investment in a dedicated resource may not perform as expected by one or both of the companies.

There could be problems of coordination of the activities of the companies in such things as production scheduling etc.

A problem may also arise *inside* one of the companies. For example because of a labour dispute.

But in both the case of a “relationship problem” or a “company problem”, the effects of the problem itself and of any actions of those who might recognise it will not be confined to the individuals, the company or the relationship concerned.

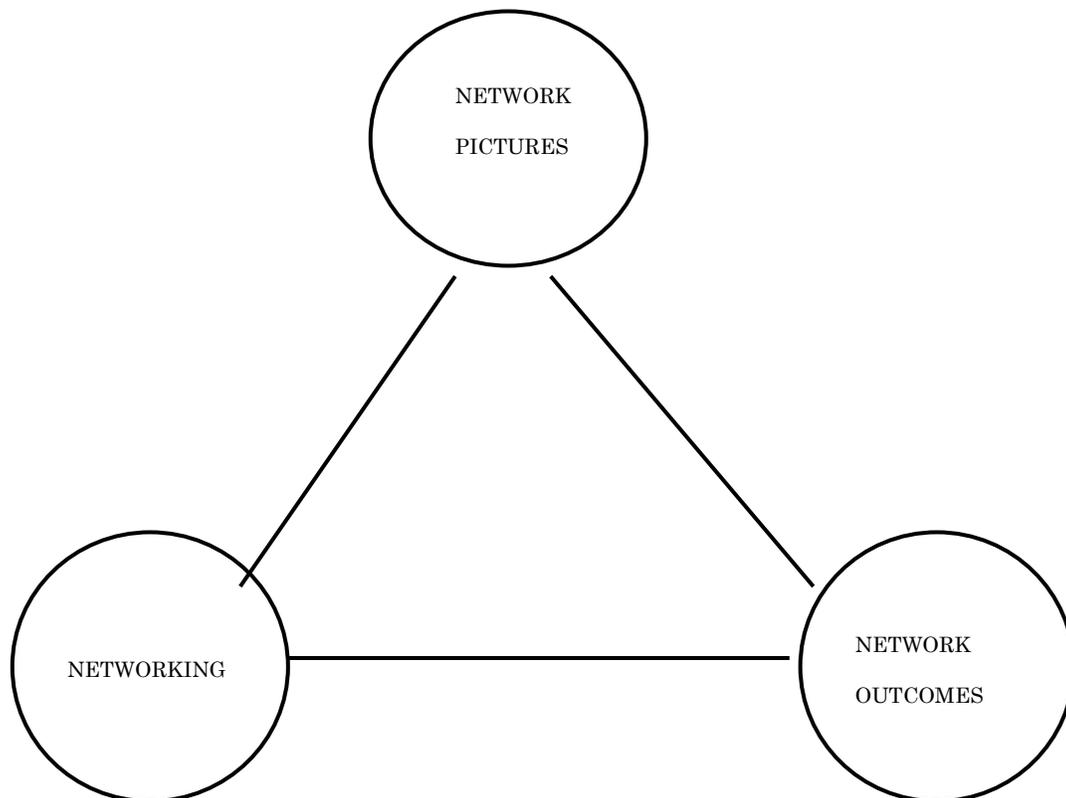
A problem may also have its origin in the surrounding network, often very distant from the two companies. This could be a problem that arises elsewhere in the portfolio of one of the companies or in the wider network, such as a technology change or a new entrant or the action of a customer,

supplier or competitor. A problem arising in a network and the reactions of companies to it may directly affect many other companies. For example, the problem that arose in the accounts of Enron has affected accounting companies, corporate accounting, share prices and trust in management in companies throughout the world.

The Model of Managing in Networks

Figure 1 provides an illustration of the Model of Managing in Networks (Ford et al, 2003) and we will use this to provide a structure for examining problems in business relationships and their origin, characteristics, evolution and outcomes. We will illustrate these with examples, taken from the case of SAAB, a producer of commercial airliners.

FIGURE 1 THE MODEL OF MANAGING IN NETWORKS



Network Pictures

What happens in a relationship will be affected by the connected relationships of the two companies involved and by the wider network of other companies and the relationships between them. All of the participants in the network will have their own *unique* “picture” of this network. This picture is comprised of their view of the extent, content and characteristics of the network, of who is doing what, who should do what and what are the likely effects of these actions². These different network pictures form the basis for the analysis and actions of each company in the network. Each network picture will depend on the experience, relationships and position in the network of the individual. Each will be affected by the individual’s uncertainties and abilities and by the limits to their knowledge and understanding *and by their view of their own and others’ problems*. For example:

Company A in a relationship may have a network picture that leads it to identify a particular problem for itself. It may choose to either ignore or to address this problem. If it chooses to address the problem, it may try to do so in its relationship with company B or elsewhere in another relationship, or within itself (see below). Company A will certainly have other “problems” that it will be unaware of. Company A may consider that some of its problems are individual or unique to itself, or may relate to problems for B or for others elsewhere in the network.

Company A may also recognize a problem for B or for others elsewhere in the network and choose to ignore or communicate them or to address them, based on its picture of the network and its relationships within it.

Company B, will have a different network picture and will identify some problems for itself, some of which are the same as or relate to problems that it identifies for Company A. It may recognize problems for Company A that A does not recognize for itself. These problems may be “real” in some objective sense, or not.

² The idea of network picture is close to that of “network theory” - “An actor’s systematic beliefs about network structure, processes and performance and the effects of its own and others’ strategic actions”, Mattsson, 2002. See also Weick, 1979.

All of the companies in a network will simultaneously recognize some problems, be unaware of others, ignore some and address others. For example, all purchases can usefully be considered to be the way that a customer seeks a solution to a particular problem by obtaining the offerings of suppliers. These problems, like others can be either positive or negative, concerning development or rationalization (Ford et al 2003). For example, a company may have a problem about how to provide service support to a rapidly growing customer base. Another company may have a problem that concerns the high costs of a service and its failure to attract customers at the current price.

Finally, network pictures affect a company's evaluation of a problem, once it has been recognized. Problem evaluation has a number of aspects:

Firstly, a problem itself does not have a single dimension and can be different for the two or more companies involved. For example, a supplier may suffer an increase in the cost of its offering for a particular supplier. It may consider this as a problem for *both* of the companies, but this may be disputed by the customer! Similarly, a problem of production control for a supplier may be translated into a problem of inventory management or logistics for a customer.

Secondly, a company's approach to evaluation take a number of forms. For example:

A company may evaluate a problem as part of a more or less continuous process of evaluation of the relationship, whether formal or informal;

A company may evaluate a problem on an ad-hoc basis, triggered by the problem itself. It may then consider the problem in the wider context of its relationship or the network as a whole, or it may concentrate solely on the problem itself, without thinking of wider issues.

A company may not recognise that a problem exists. If it does recognise it then it may not carry out any evaluation, but instead it can ignore the problem, or pretend that it doesn't exist.

Finally, a company may simply accept that a problem exists and seek to handle it itself. It may also seek to find the “cause” of the problem and this may involve it in attributing blame to individuals in its own company or in others. Thus its way of handling the problem may centre on blame and expectations of who should take responsibility, rather than addressing the problem itself.

Networking

Networking encompasses all of the actions of a company or individual in a network. This includes all of the attempts by a company to deal with its own or others’ problems.

All of the companies in a network are simultaneously networking by suggesting, requesting, requiring, reacting, performing and adapting activities. Networking is based on a company’s network picture and its expectations of the effects of its own actions and those of its counterparts and its view of its own problems and those of others. Therefore, networking is always based on incomplete knowledge and because all companies have a unique network picture, each will network differently.

We can distinguish between three aspects of networking, each of which involves managerial choices for a company and each relates to the three network *paradoxes* (Håkansson and Ford 2002). These three aspects provide a structure for the alternatives faced by companies in dealing with problems:

The First Aspect of Networking: Choices Within Existing Relationships:

The first aspect of networking involves choices for each of the companies of when to *Confront* the status quo of accepted ways of operating and when to *Conform* to particular ways of operating into which it is tied by its relationships. These choices may have to be made by a company several times each day and are an integral part of its day-to-day interactions with counterparts, as problems are recognised.

A company may try to confront some aspect of a relationship to address a problem that it has recognized. Similarly, it may be confronted by a

counterpart seeking to address a problem that it has recognized. Examples include such things as the content of an offering, its method of fulfilment or their respective shares of the activities involved. At the same time, each company will choose to conform to other current aspects of the relationship, *whether or not it recognizes them as problems*. Choosing between conforming and confronting involves an assessment of the importance or immediacy of a problem, the costs of confronting it, both immediately and in terms of the relationship as a whole and the wider effects of the problem and actions to address it.

The first aspect of networking may appear mundane or routine. But a particular choice about which minor problems for either of the participants to address or ignore will determine the direction of its development and may cause major subsequent problems in the relationship, or simply sour its atmosphere.

The Second Aspect of Networking: Choices about Position:

The second aspect of networking involves important choices for a company between accepting its current network position, defined by its existing relationships, or using its existing relationships and/or establishing new ones to change that position. In this case the company is seeking to address problems that transcend a single aspect of a relationship or the single relationship itself and which can only be dealt with at a more macro level. A company can work within its existing position, despite the problems it may involve, by using the first aspect of networking (above) to improve efficiency and effectiveness. Or it may decide that its problem(s) can only be solved by changing its position by combining its existing relationships in new ways or by building new relationships. This is a choice for a company about when to *Consolidate* by seeking to solve problems within its existing network position and when to *Create* a new position to solve them by changing the combination of its existing relationships or developing new ones.

The Third Aspect of Networking: Choices about *How* to Network:

As well as decisions on networking within and between their relationships as ways of solving problems, companies must consider *how* to network with their counterparts. Companies face the choice of when to try to *Coerce*

others to do their wishes and when to *Concede* to the wishes and initiative of others.

Companies in networks depend on the resources and skills of others. They also depend on the *initiative* of others to generate change and improvement, by recognizing and addressing problems. *Often, these may be problems that the company itself may not have recognized.* Companies inevitably try to get their counterparts to do what they want, in such things as the offerings exchanged between them, the price charged, or direction of development or the attention given to counterparts' other relationships. But if counterparts do what the company wants, they are acting on the basis of the companies ideas *alone*. They may have to disregard their own wishes and wisdom and the relationships will not have the benefit of the initiative of those counterparts. Thus the development of the company's relationships will be limited by the company's own wisdom and its counterparts may become unwilling participants.

A company's networking in relation to a problem is likely to be affected not only by the company's evaluation of the problem. It may also be influenced by the *attribution of blame*. This may mean that management action may have the intention of not only solving a problem, but also of "punishing" a counterpart.

Network Outcomes

The third element of the model of managing in networks refers to the outcomes of networking. It is impossible to attribute particular outcomes to individual aspects of networking because all of the companies in a network are simultaneously networking. In the same way, when the "solution" to a particular problem emerges it is often difficult to attribute it to particular networking. Further, the "solving" of a particular problem may incidentally produce other outcomes involving other problems either simultaneously or subsequently within a company, relationship or elsewhere in the network.

Nevertheless it is useful when considering the outcomes of networking to separate them into outcomes for actors, activities and resources. This enables us to provide a clearer evaluation of the extent to which a problem has been "solved", as follows:

Outcomes and Actors: An outcome may be for a single actor, either an individual, company, relationship or network and hence may solve, fail to solve or lead to new problems. It is important for managers to examine the outcomes of networking on each of these three levels and the extent to which problems are solved or created by them.

Outcomes and Activities: Network outcomes can also affect how different activities are related to each other. They can re-structure a company's relationships, by changing the activities that each of the companies performs and the links between them. Network outcomes can also re-structure the network, with new companies and relationships emerging and existing ones disappearing. Thus networking to solve an immediate or narrowly defined problem can often have widespread effects on ways of working.

Outcomes and Resources: Networking can have outcomes that affect the development and utilization of resources between companies. These resources include both those in the company itself and in its counterparts. The resources may include existing technology or know-how, offerings, facilities or an organisational unit. Resource effects are especially critical for all capital and knowledge-intensive companies.

The outcomes of networking may lead to either or both of the companies believing that the problem has been solved, or at least alleviated to the satisfaction of one or both of the companies. These views will be based on their respective network pictures. Alternatively the outcome can lead to the end of the relationship, at least in terms of the continuation of business between the two companies. However, there are occasions when the two companies, despite wishing to cannot end their relationship. An example is when the relationship centres on a product that involves continuous spare-part delivery or maintenance throughout the life of a project, or where it is inextricably linked to other relationships in a network.

“BIG PROBLEMS”

This leads us to consider the “big” problems, or those problems that may cause relationship to die or for one side to wish to end it. The several models of business relationship development tend to see the process as deterministic, unidirectional and leading a “closer” or more productive state see e.g. Ford, 1980; Dwyer et al., 1987; Hallén et al. 1991; Morgan and Hunt, 1994. But a large number of problems will exist in any relationship at

any one time, irrespective of whether business in it is growing steadily or rapidly or stable or declining. One or more of these problems may comprise a “critical episode” (Gidhagen, 2002). The outcome of the critical episode may change the character of the relationship radically, and in some cases it can even cause that the relationship ends. The critical episode may also influence other relationships and in this way cause connected change in the network (Halinen, Salmi & Havila, 1999).

It is clear that a relationship can cease to exist because of such a single large problem, such as a complete product failure or the appearance of a new supplier with a dramatically better offering. But it is equally likely that a relationship may end because of the accumulation of many smaller problems identified or not by either or both parties. What is unclear is the extent to which relationships end as a matter of choice by the parties concerned or because of their recognition of the inevitability of a situation or even their failure to recognise when a relationship no longer has a meaningful “substance.” The difficult of analysing relationship decline and demise is an inevitable consequence of the diversity of network pictures, the multiplicity of networking and the complexity of network outcomes. But, understanding the diversity of problems and their effects is a major aspect of the research.

EXAMPLES OF RELATIONSHIP PROBLEMS

We now present a number of examples, all drawn from the case of a single company and its network position that illustrate some aspects of the model of managing in networks. These are by no means complete at this stage of our investigation.

Introduction to the Case Examples: – The Origin of Problems in the Company and in the Surrounding Network

The Swedish company Saab Aircraft AB faced the situation that the “market” did not want to buy their new product Saab 2000. All the 230 sub-suppliers to Saab Aircraft were affected by this problem. Saab 2000 is a 50 seat feeder-line aircraft. During its development, all the involved parties; Saab Aircraft AB and its employees, its own suppliers and the launch-customer Crossair thought it would be a similar sales success to the earlier

aircraft, the Saab 340, that they had produced together. According to the launch-customer: *“The concept... is very good. It is brilliant!”*.

The development of the new aircraft took five years, and two problems arose during that time that together were probably the cause of its failure. The first was a series of technical problems within Saab Aircraft AB itself and within its relationships with its suppliers. These made customers wary and most of them decided to “wait and see”. Secondly, competitors started to launch jet planes instead of propeller planes. Both Saab 340 and Saab 2000 are propeller aircraft. Even though propeller aircraft is less expensive in use, operators started to use jets instead. Jets were seen to be a more “modern” solution. Saab Aircraft AB had only managed to sell 64 of the 2000 aircraft, and all these were sold at a price which was lower than the production cost. Thus, the board of Saab AB decided to cease producing the 2000.

Problems that arise in the surrounding network are different from those that arise from inside a relationship or one of the companies as they are more or less out of control of the involved business partners. The parties have not, at least directly, caused the problem. This, in turn, means that the parties may be less likely to attach blame to a relationship counterpart for the problem. This suggests that there are two types of “problem climates”: one more likely to be characterised by conflict and another by co-operation. In our case the “problem climate” can be characterised as co-operative even though, as we will show below, it was a “big problem” for most of the involved parties.

Example 1: Network Pictures and Problem Recognition

One supplier had a broad network picture within which was a continuous evaluation of its relationship with Saab Aircraft AB. The supplier was able to see that orders for the aircraft were less than hoped and that it was receiving fewer orders than anticipated. Based on this problem recognition, it started to plan for the worst and so was prepared when the customer announced the end of production.

In contrast, a second supplier did not evaluate the relationship continuously or its wider network context. It’s restricted picture of the network meant that it was unaware of a problem until first informed by the customer that there was risk that it would stop production. According to one employee, *“It*

was very stressful to receive the information, because I don't think any of us were expecting it."

These two instances illustrate that a particular occurrence may be identified as a similar problem at different times by different companies, depending on their respective network pictures.

Example 2: Dealing with Problems by Confronting

During the spring of 1997, Saab Aircraft AB confronted its suppliers with a "cost-reduction campaign". This took place with the aim to try to lower the production costs, as the Saab 2000 especially had a price that was too high to be attractive to potential customers. This was seen as the final hope of continuing with the production of SAAB commercial aircraft. The campaign started in January 1997 and was planned to be completed in June 1997. This "cost-reduction campaign" involved the 10-15 largest suppliers which made about 80 percent of the total cost of purchased components for an aircraft. If these largest suppliers were not able to lower their prices, it would not matter whether the smaller suppliers would lower their prices.

This is an example of a situation when Saab Aircraft AB decided to confront some of its suppliers to solve a specific problem, which itself was related to other problems that it had identified. However, despite this action the Saab's board of directors decided on the 15th December 1997 to terminate the production of Saab 340 and Saab 2000 from mid 1999 and end their commercial airline production. This was on the basis of its view of the problem arising from consumer demand, airline demand and aircraft cost.

Example 3: Dealing with Problems Through Conforming

Even though the production of the commercial aircraft ceased in spring 1999, the total fleet comprising of 454 Saab 340 and 60 Saab 2000 would still need spare parts and maintenance service for around 20 years during the time Saab 340 and 2000 are in service. Also, 310 of the aircraft were leased to airlines. Saab Aircraft AB felt that it was important that the 70 airlines concerned would continue to trust Saab Aircraft AB and its ability to maintain the existing aircraft. If not, they would probably hand back the aircraft as soon as possible, which, in turn, would mean a loss of approximately \$1.5 million.

This provides an illustration of how Saab is tied into its network of suppliers of spare parts and maintenance and customers that may lease the aircraft for 20-30 years. It shows how Saab is more or less forced to conform to many aspects of the particular ways of operating within its network, if its relationships are to continue.

Example 4: Dealing with Problems by Consolidating or Creating a New Position

Saab Aircraft AB and one of its suppliers, the producer of wings for Saab 2000, came to the agreement that Saab Aircraft AB was to take over the production of possible spare parts which could be needed in the future. This was a suggestion from the supplier, who was not interested to continue with this as it would not be able to sell especially many spare parts. The parties agreed that the best solution was to move the production to a smaller workshop like that of Saab Aircraft AB. All the jigs and other tooling were moved over from the supplier to Saab Aircraft AB.

This is an example of a situation where Saab Aircraft AB solved the problem by creating a new position for itself in the network: The relationship to its supplier of wings was terminated and Saab Aircraft AB increased its know-how. In most of the other 230 supplier relationships Saab Aircraft AB terminated the contracts, but negotiated new contracts regarding spare parts and maintenance. In these situations Saab Aircraft AB dealt with the problem by consolidating within the existing network.

Example 5: To Coerce or Concede

The time from that the decision was taken to cease production until the final aircraft was produced in spring 1999 was used to negotiate with the approximately 230 suppliers about terminating contracts, or the transforming them into a "spare parts supply phase". During the negotiations it became obvious to Saab Aircraft AB that some of the suppliers had been in contact with each other. For example, the two companies producing the wing and the tail had contact with each other every time one or both of them had any "news" from Saab Aircraft AB. This made the Saab Aircraft AB negotiators conscious that what they did in one relationship might influence others, which made it important to keep a consistent line in all the negotiations. For the suppliers to communicate directly with others in the same situation was one way for them to try to cope with the problem they faced.

This illustrates the limitations for a company in networking to deal with a problem when several parties are involved. Saab Aircraft AB's attempts to coerce its suppliers led to them *collectively* attempting to coerce it. The alternative of conceding in this context could have involved Saab Aircraft AB in relying on its suppliers to design and manage the system for supplying spares directly to its airline customers, after receipt of orders from Saab Aircraft AB. This would be simple for Saab Aircraft AB and employ the skills and initiatives in logistics, of its suppliers. But it would probably make it difficult for Saab Aircraft AB to earn a return on supply of spare parts and damage or destroy its relationships with the airlines.

In fact, Saab Aircraft AB was forced to accept less good terms in order to secure the supply of spare parts in only a few of its 230 supplier relationships. In one case, Saab Aircraft AB had decided to terminate its relationship with one of its suppliers over four years ago. The supplier was not informed in beforehand and suddenly did not get any more orders. Instead Saab started to buy from another supplier. Later on, Saab Aircraft AB discovered that it could not find an alternative supplier for all the parts from the original supplier, and so restarted the original relationship. When Saab Aircraft AB then ceased the production of its aircraft, this supplier raised the prices for the spare parts dramatically. Saab Aircraft AB commented, "after five years, they have not forgotten what we did."

This shows that when a company chooses to coerce when dealing with a problem, it may lead to other problems subsequently.

Example 6: A Problem for Whom?.... The Widespread Effects of a Problem

Saab was forced to stop production of its earlier successful aircraft, the Saab 340. This was because its operations were geared to producing both aircraft simultaneously. As Saab Aircraft AB bought 80 percent of the value of its aircraft from suppliers, it was forced to deal with each of the 230 suppliers. It was also forced to deal with about 70 airlines flying the Saab 340 and Saab 2000 as they will need spare parts and maintenance during the coming 25-30 years.

A problem in a single company or a single relationship may also become a problem in other relationships of the two companies or in other relationships

outside of them. In situations when more than two companies are involved it becomes more complicated to cope with the situation.

Example 7: Outcomes of Networking for Companies and Individuals

Saab needed not only to handle its relationship with external parties, but also with internal parties, comprising the 1800 employees that worked in the production of the regional aircraft. The management's goal was that as many as possible of them would have a new job when production of the aircraft stopped and Saab worked actively to try to reduce the number of staff who would have to leave the company. Besides those who got new jobs outside Saab, about 600 people got new jobs within the Saab Group. About 100 people were retrained, and around 200 people decided to accept the offer of early retirement. Around 400 people will continue to work within Saab Aircraft Customer Support and Saab Aircraft Leasing. In September 1998 475 persons were given notice, but finally only 111 workshop employees lost their jobs as Saab was forced to terminate their employment. In the end this figure shrank to 50 who did not have a job after the production stopped in spring 1999.

This example shows that managing problems in networks has consequences for companies and individuals as well as relationships. We dealt with the effects on the external parties in some of the earlier examples. Here we can see that the decision to terminate the production influenced the life of many individuals.

Example 8: Outcomes of Networking on Activities

From the 1st August 1999 Saab Aircraft AB is no longer a civil aircraft manufacturing company. Instead, it became a service company that will take care of the regional aircraft in the future. It had around 320 employees in Linköping and around 70 within its subsidiary Saab Aircraft of America in Washington.

Example 9: Outcomes of Networking on Resources

Leasing is expected to change in character after the production stopped. In the future Saab Aircraft AB believes that there will be more customers, which are smaller companies than earlier. Before the production stopped 80

percent of the customers were airlines such as American Eagle or Crossair that had several Saab 340 and/or Saab 2000 in their fleet.

The smaller airlines may often need more customer support than the large operators. For example, Saab had a customer in 1999 who operated only three Saab 2000. This was a newly started regional airliner that had little knowledge of how to maintain an aircraft or how to make it ready for a flight. To be able to have this airliner as a customer, Saab had to establish a new business that takes care of the whole maintenance for an airline. It is only for the pilot to come and sign for a plane and fly.

This example illustrates the outcome of networking on a company's resources. In this case, a decrease in one set of assets lead to an increase in another part of the company's business, and the case company did not really have a choice.

CONCLUSIONS

The Saab case illustrates a “big problem”. Terminating production meant the end of civil airliner production for the company and its total costs, including those of personnel were estimated at 4 milliard Swedish crowns. But our analysis illustrates that the problem was not just a “Saab problem” because its origins were elsewhere in the network. At least one of these was indirect. Thus passenger resistance to the aircraft was only felt by Saab through the changed views of its airline customers. It wasn't just a “Saab problem” because it caused related problems for many others. Some of these, such as at least one of its suppliers recognised or even anticipated the problem for them. Others did not. Nor was it just a “Saab problem”, because the outcomes of the problem affected many others in different ways both inside and outside of the company. Finally, the analysis illustrates that problems in networks cannot be confined simply to the identification of problem an more or less immediate solution. Just as relationships are likely to have a long life, so are the outcomes of problems in them. In this case, even though Saab terminated its production it is still forced to stay in the maintenance business for the coming 20-30 years

This simple example illustrates the importance of taking a network view of problems in relationships, rather than simply considering them in the relationship itself or in the companies concerned. It also illustrates the value of examining relationship problems in a structured way by using the model

of managing in networks. This enables the analyst to consider the separate network pictures of those involved, the different types of networking that may be employed by the companies and the multiplicity of outcomes that may emerge.

Clearly, it is important to move from analysis of this simple example to more in depth study of problems and their origins, responses and outcomes and to further explore the model of managing in networks.

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