

WHEN DO THE SOCIAL RELATIONSHIPS MATTER?
A Case study of the Organizing of an International Joint Venture

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The present study concerns the organizing of international joint ventures (IJVs) over time. The organizing process and the multi-cultural setting emphasize the actions of and interactions between individuals. The IJV-managers' use of their social relationships in the continuous organizing of the joint venture is analyzed. The business relationships are seen as characterized by four possible layers of interpersonal relationships whose type influences the types and uses of the relationships. One business relationship may contain only one or many of these interpersonal layers and an effective business relationship contains "the appropriate" interpersonal layers for the business issue at hand.

INTRODUCTION

All economic actions are embedded in relationships between individuals (Granovetter 1985). Network research has always acknowledged this social dimension of the business relationships, but economic and technological aspects dominate network research too (Araujo, Bowey and Easton 1998). The social relationships bring forth the person-level interaction required, e.g., to form a channel for business dealings, to transfer technological skills and create power structures (Halinen and Törnroos 1998). This means that social interaction underlies the more organizational level market, technological and political interactions. Therefore, social relationships can also be utilized for various business purposes (see Axelsson and Angdahl 2000; Halinen and Salmi 2001; Salmi and Bäckman 1999; Uzzi 1997; Äyväri and Möller 2000). This study shares with these researchers the interest in the uses of social relationships in business networks.

With respect to the international joint ventures both the context-dependent and the social side of developments seem to be neglected areas of research (see criticism in Mainela 2001; Parkhe 1993; Ring and Van de Ven 1994). The development of a joint venture is usually described as a process that develops through consecutive, although overlapping, stages between the parent companies (see Parkhe 1996). In the present study the development process is named as organizing. The organizing concept takes into account that business takes place in relationship networks, which are constantly changing (Håkansson and Snehota 1995, p. 10). The changes lead to incessant organizing of the joint venture's business as new relationships are built, old decay or existing relationships change their character. Organizing, as well, emphasizes the role of individuals in organizational developments (Weick 1979, p. 68): *"The human actor does not react to an environment, he enacts it. It is this enacted environment, and nothing else, that is worked upon by the processes of organizing"*.

In the present study, the organizing of an international joint venture is examined through the analysis of the type of the interpersonal relationships between the joint venture managers and the people with whom they interact in business-related issues. The actions of the international joint venture managers in relationship development and their use of social relationships in the organizing of the joint venture and its business network are analysed. The general research question of the

study is: *How do the social relationships of the international joint venture managers influence the business organizing?* This question can be divided to two sub-questions: 1) What kinds of social relationships do the managers utilize during the business organizing? What kinds of roles do these relationships have in the business organizing?

The Polish transition markets form the empirical context for the study. In a case-study a Nordic-Polish joint venture established in Poland in 1990 is analysed. The business context of transitional Eastern Europe has been noted to make great demands on relationship building (Johannisson 1995; Salmi 1995) and, especially, interpersonal relationships have been stated to be of significance (Salmi and Bäckman 1999; Törnroos and Nieminen 1999). Because of this the relationship building and the roles of social relationships are likely to be especially transparent and explicit in this context. As a result, the findings of the present study are both contingent on the specific context but can, as well, aid the understanding of the organizing processes in other contexts in which the networking and the roles of social relationships are more hidden.

The theoretical contribution of the present study arises from using the viewpoint of an international joint venture and focusing on the actions of the managers in the organizing of the cooperative business unit. Firstly, joint ventures are usually analysed from the viewpoint of one of the parents (see Osland and Cavusgil 1998). Still, in the establishment of an international joint venture is created a new business entity for which the managers strive for establishing a favourable market position. Secondly, the social aspects have often been given only a secondary role in the joint venture research. Seldom have the social relationships been given direct business functions in network research, although their importance has been recognized. With respect to development of any business unit a critical issue is the social nature of all the actions (Ghoshal, Bartlett and Moran 1999; Granovetter 1985; Ring and Van de Ven 1994). Therefore, we need to know more about this social, interpersonal side of business relationships.

In the following the social embeddedness of business relationships is discussed in the light of the previous research. Then empirical case data on the organizing of an international joint venture is analysed to find out the types and uses of social relationships. As a result the social relationships are classified to four different types (reporting relationships, organizational contacts, personal relationships and friendship relationships), which are combined to different business uses.

SOCIAL EMBEDDEDNESS OF BUSINESS RELATIONSHIPS

Business relationships are primarily developed for economic advantages. But, organizational behaviour is always a result of the actions of the individuals representing the organizations and therefore the social relationships, i.e. person-level ties, inevitably intervene in the business processes. An organizational relationship is actually a complex web of interactive relationships between individuals in the organizations (Håkansson and Snehota 1989). Therefore, as Liljegren (1988, p.106) noted, interaction patterns of individuals and norms as indications of expected behaviour at the individual level influence the organizational structures, strategies and routines.

Characteristics and roles of social relationships

For organizing the relational embeddedness, i.e. the characteristics of the relationships and their roles, not the existence of the relationships as such (Andersson 2001; Nahapiet and Ghoshal 1998), are seen to be of importance. How a firm can utilize its relationships in business depends on their characteristics, which make some relationships more appropriate for certain purposes than others. For example, old relationships are expected to be more suitable for acquiring subtle information and are often used for multiple purposes whereas newer ties are commonly tied to one specific role. Some relationships are purely instrumental whereas others include strong emotional obligations and are supported by trust (see Mønsted 1995). These kinds of dichotomies are presented in Table 1 for illustration. (For further details see Mønsted 1995:197–201).

Table 1. Dichotomies of the personal relationships in dyads (Mønsted 1995:197).

Formal	vs.	Informal
Universalistic	vs.	Particularistic
New	vs.	Old
Commercial	vs.	Technical
Professional	vs.	Personal
Instrumental	vs.	Expressive/affectionate
Directed	vs.	Reciprocal
Complementary	vs.	Homogeneous
Weak tie	vs.	Strong tie
Negative loaded	vs.	Positive loaded

The present study picks up the strong vs. weak tie characterization initially based on Granovetter's (1973) arguments, which can be seen to encompass also many others of the above characteristics. Granovetter (1973) saw the strength of a tie in interpersonal networks to depend on the amount of time spent on it, on the emotional intensity, intimacy and the reciprocal services characterizing the tie. Thus, stronger ties are suggested to involve longer time and stronger emotional commitments and often similarity of the connected individuals. He also emphasized that the ability of a person to trust another is hindered if there are no personal ties between them. In that case, any cooperative effort becomes dependent on the existence of intermediary personal contact that can assure the trustworthiness of the other. Granovetter (1982, p. 105) also connected weak ties to acquaintance relations whereas strong ties are friendship relations. At the interfirm level the amount of resource exchange, the number of dyadic role relationships in the interaction and the irreplaceability of the parties have been seen as indicators of the strength of a tie (Easton 1992, p. 11; Johannisson 1995).

Uzzi (1997) concentrates on individual-level relationships and makes a distinction between market ties and embedded ties, whose features resemble the weak and strong ties. The former are arm's-length ties lacking reciprocity and repeatedness and concerning narrow economic matters. The latter are close ties characterized by trust, reciprocity, exchange of tacit know-how and joint problem solving with respect to critical business matters. Very similarly Salmi and Bäckman (1999) divided the business relationships in Russia, which were all seen as person-centred, into two types:

First-circle relationships were characterized as friendship relationships with people you know and trust. The second circle consisted of relationships with individuals to whom business relationships are established and maintained and who are contacted in need for assistance but who are seen more as acquaintances, and are not trusted like the first-circle persons. The basic distinction between the weak and strong ties could also be made on the basis of the perceived behaviour either as an organizational agent or 'qua persona', i.e. in role or personal relationships (see Coleman 1990:531–546; Ring and Van de Ven 1994). For a firm it is always a question of a trade-off between a bigger number of weaker ties and fewer but deeper strong ties because the resources are limited (Andersson 2001). Often it is useful that the network includes both kinds of relationships to be activated in different needs (see Uzzi 1997).

The importance of the participation of an industrial firm in various networks is based on the interdependences and the variety of roles, which the relationships may entail in the business (see e.g. Johanson and Mattsson 1987; Mønsted 1995; Salmi and Bäckman 1999; Turnbull 1979). From the strategic viewpoint the relationships may reduce costs of exchange and production, promote development of knowledge, give the parties control over certain parts of the environment, act as bridges to third parties, or may be used to mobilize partners against competitors.

Interpersonal relationships have been suggested to have specific functions in business processes. The above characterizations of the two types of relationships already related them to different uses. According to Granovetter (1982, p. 113) the strong ties lead to greater motivation to be of assistance and are more easily available whereas weak ties provide access to information and resources beyond those available in own social circles. The close, reciprocal strong ties are stressed, e.g. in product development relations when complex, non-codified, tacit knowledge needs to be transferred in a relationship, whereas weak ties are important for the search of new opportunities and information (e.g. Granovetter 1973; Hansen 1999; Rindfleisch and Moorman 2001). Therefore, the desirability for either type of relationship is dependent on the roles the relationship involves.

In the interaction model (Håkansson 1982) interpersonal contacts are identified as performing vital roles in problem solving, in exchanging social values and information, and in demonstrating commitment and credibility. Personal contacts are also means of distance reduction (Ford 1980), which is emphasized especially in interaction between firms of different countries. They can help business making by facilitating understanding of differences in culture, education and technical and economic factors between the counterparts (Ford 1998). Also Turnbull (1979) and Salmi and Bäckman (1999) gave the personal relationships direct business functions. They were noted to be especially important for the exchange of information and special services, for the assessment of partners, and they were the normal means of persuasion and negotiation. Personal relationships may also provide crisis insurance and even ego-enhancement. Halinen and Salmi (2001) divided the roles of personal relationships into enabling and maintenance roles and crisis mastering roles, which usefully describes the roles of personal relationships in the life cycle of business relationships. To the above roles they add the door opening and closing, which means that

a third person who knows both of two possible business partners may help in or even be necessary for the creation of a business relationship. They also emphasize the possible negative roles of personal relationships. The suggested roles for interpersonal relationships are collected in Table 2.

Table 2. Suggested roles for interpersonal relationships in business processes.

ROLE	DESCRIPTION
Enabling and maintenance roles	
Distance reduction	Through personal interaction social values are exchanged. It helps business making by facilitating understanding of differences in culture, education and technical/economic factors.
Information exchange	Mutual trust, respect and personal friendships allow confidential information to be exchanged. Personal relationships provide especially informal market and technological feedback and are necessary for transfer of tacit knowledge.
Assessment	The assessment of the counterpart's competence is a process usually involving personal judgment based on interaction in formal and informal situations. Personal relationships provide means of demonstrating commitment and credibility.
Negotiation/adaptation	Personal contacts are normal means of persuasion and negotiation. Through them the other party can be convinced about adaptation needs and capability.
Capital function	Personal relationships form the network capital that is the basis for setting up new business and maintaining and operating the firm. They provide means to pursue own ideas and means for change.
Services exchange	Reciprocal exchange of services; a favour is returned.
Crisis-mastering roles	
Door opening/closing	A third party who knows both of two potential business partners may help in or even be necessary for creation of the business relationship. Recommendations of personal relationships may be of crucial importance. Good personal relationships help in ending a relationship without feelings of unfairness or insult.
Settlement of disputes	Obligations in personal relationships discourage the malfeasance and generate trust quite apart from the institutional arrangements.
Crisis insurance/ crisis creation	The personal contacts taking place between individuals without obvious reason are often deliberately established by companies as a form of crisis insurance. When a major problem cannot be resolved through formal channels of influence, these contacts are utilized. They may even substitute for the absent rule of law. Bad personal relationships or change of the contact person may also lead to ending a good business relationship. Strong personal relationships may hinder change.
Other roles	
Social exchange	Some contacts exist purely for private social reasons and are not necessary for the business objectives of either company.
Ego-enhancement	Establishing relationships in order to enhance one's own status.
Business infrastructure	Personal relationships are used for the acquisition of advance information, influencing the business framework or providing communication possibilities. They are important in handling links to parties with whom the company has no direct or indirect business relationships.

On the positive side Granovetter (1985) reminds us that the obligations inherent in the personal relationships discourage malfeasance and generate trust quite apart from the institutional arrangements. Thus, settlement of disputes is eased by embeddedness of business relationships in personal relations. The social interactions have been noted, as well, to serve to downplay the contribution of price in determining exchange behaviour (Uzzi 1997): the stronger the social bond the less importance economic factors seem to have. The personal level contacts are often significant when a company tries to change away from its existing business relationships or its old technologies because they provide the individuals with the means to pursue their own ideas (Ford 1998, p. 261). They can form the means for individuals to achieve the changes they want in others. But they can also make it very hard for a company to achieve change. Also bad personal relationships or change of an old contact person may lead to ending of a good business relationship.

Social relationships can also be seen as a kind of business infrastructure (Hallén 1992), because they provide underlying preconditions and support for industrial and business activities. These infrastructural networks are not designed for specific business deals including resource or activity connections but are pure actor connections for acquisition of advance information, for influencing the business framework or for communication possibilities (e.g. to competitors, government agencies, potential customers or opinion leaders).

In sum, in the present study the focus is on the use of personal relationships in the organizing of the business relationships over time. This idea is emphasized by Granovetter (1992, p. 7): *“Economic institutions are constructed by individuals whose actions are both facilitated and constrained by the structure and resources available in social networks in which they are embedded.”* In the present study it is looked at how the managers of the joint venture describe their relationships and their actions and how the descriptions are related to the specific uses of the relationships.

METHODOLOGY

As Borch and Arthur (1995) noted the choice of the methodological approach of a research should depend on the nature of the phenomenon to be explored. For studying relationship networks case research and subjectivist or relativist approach have been seen as most appropriate (Borch and Arthur 1995; Easton 1995). In search for knowledge on an ongoing joint venture operation on which researcher has no control the case study is again a preferred research strategy (Yin 1989, pp. 21-23). As this study is especially about managerial actions and aims at explaining the dynamic organizing processes through discovering the social mechanisms behind them, a single case study can be seen appropriate and even recommendable (Borch and Arthur 1995; Easton 1995).

In the empirical part is analysed the development and utilization of relationships in a Nordic-Polish joint venture established in Poland in 1990. Its development is followed from 1989 to 2000. Interviews with the Nordic and Polish IJV- managers form the main source of information. They are supported by secondary data, such as feasibility studies, agreements and yearly reports of

the managing director of the joint venture as well as published articles dealing with the case. The primary interview data has been collected in two phases during the four last years. Thus it is to great extent relied on retrospective data and historical reconstruction.

In the first phase of data collection four managerial level persons were interviewed in June–December 1997. Three of the interviewees represented the Nordic parent (one Finn, one Swede and one Norwegian). Besides, the Polish managing director of the joint venture was interviewed. To be able to conduct face-to-face interview with her and visit the joint venture a one-week field trip was made to Poland in October 1997. Then the Finnish key informant was met in October 1998. During informal conversation, the latest development of the joint venture and the early research report of the case were discussed. The second round of interviews was done in 2000. Because of the crucial importance of the viewpoints and insights of the individuals acting in the joint venture and looking its development from inside of it, it began with interviews of the Polish joint venture managers. In September the operational management, five local managers, of the joint venture were interviewed during the second field trip to Poland. In addition it was discussed with one representative of the Polish parent who was a current member of the supervisory council of the joint venture. He brought the viewpoint of the other major partner to the joint venture's development and the relationships between them. In December 2000 the Finnish key informant was interviewed to get his viewpoint on the current operations of the joint venture and to complement the earlier interview data.

The transcribed tapes formed the raw data of the analysis. They were written as more fluent descriptions, which were sent to the interviewees that they could check the correctness of these early reports and were able to supplement them with some details if needed. Then a detailed report of the joint venture process was constructed in the form of story that progressed in time to reflect the sequence of major events and the behaviour of the various actors. This description could then be combined with all the other data collected of the case to form the case-study narrative (see Patton 1990, p. 388). The time framework from the beginning of the joint venture establishment in 1989 to final interviews in 2000 exposes the initial chronology, which was the first organizing mechanism of the data (see Pettigrew 1997, p. 345). In the further analysis attention was put on the major interaction episodes in the organizing of the joint venture.

A CASE STUDY ON THE ORGANIZING OF AN IJV

In the following two sections the background and the social organizing of a Nordic-Polish joint venture in transitional Poland in 1990s is described. Then the empirical findings with respect to the types and uses of social relationships of the IJV-managers are presented.

Background of the IJV-establishment

Kemira Kemi Ab, the Swedish subsidiary of the Finnish chemicals industry group Kemira, initiated the establishment of the Nordic-Polish joint venture, Kemipol Ltd. At the end of the 1980s, Kemira

Kemwater was looking for new markets and Poland was one of the areas which were of interest. Poland was heavily polluted and the water could in many places not be used even for industrial purposes. At that time there was no chemical sewage water treatment in Poland, but there was a big government-owned titanium dioxide producer, Zakłady Chemiczne POLICE (the PLC), creating a vast amount of the basic raw material, copperas, for water treatment chemicals. At once Kemwater was threatened by price competition in its Nordic home market because the PLC planned to export copperas to the Nordic market and compete with Kemwater's more processed products. The opportunities due to the undeveloped water treatment, the emerging environmental awareness and the cheap raw material were recognized in Kemira Kemwater. The full utilization of opportunities was seen to require the building of a local production unit and the ability to use Polish raw materials and labour to get a competitive cost position in the local market. The PLC had great problems with the copperas that it had only stored for some 20 years. Copperas made it an inducer of a big environmental problem. It was very important to get good and reliable outlets for copperas because otherwise it would have to stop titanium dioxide production. The joint venture was a means of getting rid of the waste.

In 1990 Kemira Kemwater and the PLC agreed on the establishment of a joint venture of which 40 per cent was owned by both Kemira Kemi (the Swedish Kemira Kemwater unit) and the PLC and 20 per cent by the Nordic Environment Finance Corporation (Nefco). The joint venture aimed at utilizing the opportunities in the emerging markets for water-treatment chemicals and contributing to the solving of the water-pollution problems in Poland.

Organizing of the joint venture

In the emergence of the joint venture in 1989-90 the actions of the Nordic managers were mainly related to information search and initial legitimizing of the venture through early contacts with the Polish market. They were done using the Polish embassy, investment bureau and their seminars. Possible partner was known but it was difficult to get to the negotiation table with Polish managers. Therefore, Kemira Kemi's managers went to visit the Polish ministry of industry and discussed with the officers the plan to invest in Poland. The visit resulted in the hoped-for reaction:

“By doing this [visiting the Polish ministry of industry] we got the ministry to send a letter in which it was said that they recommend them [the PLC] to team up with us [Kemira Kemi].”

After these official contacts Kemira Kemi's managers were invited to the PLC. However, further convincing was needed because the Finnish board was known to be sceptical about the investment. Therefore, the project managers travelled around Poland to meet experts in universities and managers of the potential customer plants.

“It was a market about which people said: Don't go there, they don't have money even for food. I needed to get a commitment, e.g., from the city of Gdansk that if we start to produce in Poland they will buy from us. Then when I presented it to the board I had already created customers.”

Negotiations between the PLC and Kemira Kemi were begun but during them it was revealed that in the PLC some managers preferred to take care of the copperas problem by themselves. Two top managers proved to be the persons both willing and able, i.e. having interest and power to convince the others. However, the Nordic and Polish managers were unable to really understand each other and the entry was seen as extremely risky. Thus, Kemwater managers suggested Nefco to become a risk-sharer through equity investment and a loan. Then the announcement by the Polish government of a change of the foreign investment law at the beginning of 1991 made the partners hurry. But, the intended risk-sharer was not yet registered. Nefco's role was considered very important and, especially, the leader of the Polish team, the technical manager, made a great effort to persuade the president of the PLC into a temporary 50–50 joint venture:

“When we registered Kemipol it was 50–50, temporarily. I wanted to establish it as soon as possible but Nefco was not yet registered. I told our director that maybe we could establish temporarily a 50–50 joint venture.”

In the initiation period 1989–1990 the governmental and authority relationships were created for the purpose of getting market information and legitimating the venture. The financing questions and legal issues, as well, resulted in the establishment of relationships with the ministries, embassies and other institutional actors. The existence of demand was secured through direct customer and local expert contacts. Although face-to-face meetings were common, the relationships between the managers were based on impersonal trust and organizational roles.

The Kemipol-construction in 1991 was dominated by networking for resource acquisition including facilities, raw materials, financing, employees and business relationships. The Nordic managers hired the first employees of Kemipol. Nefco was registered and the relationship was formalized as an owner relationship. As agreed in the negotiations the PLC began the plant construction. The lack of high-quality supplies in a transition economy and the distrust of capabilities of their own staff, yet, ended up with great budget excess. The managers of the PLC appealed to the Kemwater managers to compensate the cost increase. The Nordic managers were afraid to make any concessions and denied. The Polish managers interpreted this as letting them down and began to send to the meetings only deputies without any decision-making power. The relationship became useless and cooperation impossible. Simultaneously the top management of the PLC changed. The managers committed to the cooperation left, which further complicated the problem-solving. It required hours of negotiations and the managing director of Nefco to act as the peacemaker:

“It was a very good guy from Nefco. Oh, I liked him very much, [...] very well qualified, smiling, silent. [...] We made a compromise... still smiling... and finally we solved the problem.”

To be able to start the marketing of the products already during the plant construction in Poland the Finnish manager, responsible for market development, made a marketing agreement with a Czech chemical producer. Based on this formal agreement the creation of customer relationships could begin. The most important was to create personal relationships to convince the Polish managers of business deals:

“We visited Sweden, spent a week in Finland, travelled in a minibus to see some reference plants and that way good contacts and trust were created... The then president of the Warsaw Water Works when I went there... I remember a sunny summer morning when he said: ”Hey, do we need to sit here in my grey office?” I said that to me it is the same where we sit. He had a summer cottage a couple of dozen kilometres from Warsaw and said: “Let’s go there”. We went there and sat there in the middle of nature to discuss these issues.”

At this time the differences in the values and ways of doing business between the parents became evident emphasizing the need for personal relationships. There, however, existed only the technical dependence of the joint venture on its parents which was not supported by personal trust between the managers of the parent companies. The problem-solving between the culturally different parents required intermediation of persons who were able to understand both parties and develop personal trust in both. Thus, the parent relationships remained as formal and organizational ones whereas customer relationships were developed on the basis of personal relationships.

In operation start-up in 1992-93 and in personnel recruitment the production manager of Kemipol was noted as a great help. He had followed up the plant construction as the representative of the PLC and besides had worked there some 20 years. Therefore he could personally pick up the best workers for Kemipol from them. The tests and sales efforts in Polish customer plants made the best channel for marketing training by the Kemwater managers and experts for which the need was great in an economy where no marketing function had belonged to business making. This resulted in the establishment of close personal relationships between the Kemipol and Kemwater marketing staffs. At the organizational level Kemwater’s team secured the supply of storage tanks to the customers by making an agreement with a Polish subsidiary of their Swedish cooperation partner. Agreement on the delivery of the other equipment needed by the Kemipol’s customers was made with Kemwater. The storing of the equipment was at first a problem because Kemipol did not yet have any warehouse of its own. However, the personal relationships of the production manager with the PLC could be used for acute organizational problem solving:

“I know people in the PLC and they had a warehouse free and then I arranged that warehouse.”

In 1992 the devaluation of the Polish zloty made the loans of Kemipol in foreign currencies too heavy a burden for the new venture. Also the PLC’s supervisory council members were now activated to take part in the decision-making. However, the decisive interaction took place between the Nordic managers:

“The partners then decided to transfer the loans to share capital. Whose idea was it? [The managing director of Nefco] was sitting together with [the president of Kemira Kemi] to consider how to solve this problem and they proposed and Polish people accepted the solution.”

Simultaneously the Kemwater manager struggling with the market creation got the idea to commit a governmental agency to the joint venture. The National Fund for Environmental Protection and Water Treatment had already in the very beginning been contacted to collect information on the markets. Now a loan was applied for and it was suggested that the organization should become a

shareholder of the company. It was expected to create trust in the municipal customers by giving a governmental status to the venture and to support its way of water treatment in building new plants.

Overall, the relationship with the PLC and the internal relationships in Kemipol did not develop well. The Swedish managing director of Kemipol, despite his Polish roots, was incapable of handling the relationship with the PLC and the operational management of an emerging venture. The Kemwater manager who had responsibility for the operation start-up noted that the controller of the company had good basic knowledge of accountancy and was eager to learn. He began to teach the controller matters related to company management and soon she became the other partner of the Kemwater managers in Kemipol. After two years she was assigned as the managing director. The change removed the major “misfits in personal chemistries” that had harmed the local relationships. Before that the production manager was used as a bridge builder to the Polish managers. Similarly to the equipment-storing problem he could use his friendship relations with the middle management to ease the problems with raw material supplies from the PLC:

“I have also friends working there in the titanium dioxide plant... I don't like to blame them about the copperas. I want to help them even. [...] For me it will be better when I get better copperas and for him it will be better when he keeps the titanium in the plant not in the heaps. [...] Then I ask that they also should do something.”

From the year 1994 on Kemipol began to make profit and have the basic relationship network organized. The actions of the managers became primarily related to internal organizing, i.e. creation of organizational structures, staffing, development of the production process, improving the quality and adding new products, distribution and transport arrangements. Kemipol's marketing efforts became more and more directed towards sewage water treatment. Exports rose remarkably when a tender was won for a big treatment plant in Berlin. In 1995 Kemira Kemi bought the shares of Nefco, which made it the majority owner of the joint venture. The Nordic managers took Kemipol's managers with them in the Kemwater-cooperation projects as consultants for the newer Kemwater-units. This cooperation strengthened the relationship between Kemwater and Kemipol especially because of leading to the establishment of friendship relations between the managers:

“I believe him [a Finnish technical manager]. He is good, qualified guy. He has also a very good group that I like very much.”

The relationship between the parents was largely mediated by Kemipol's managers as one supervisory council member described it:

“[we have relationships] only to Kemipol... or we have the board meetings three times a year and there are also the representatives of the PLC”.

After the quite stable years of growth of the mid-1990s, in 1997 the situation changed. The competition between biological and chemical treatment methods became all the time fiercer. Interesting additions to the focal net of Kemipol were the informal, legitimizing relationships. These relationships were represented by the personal relationships of the managing director with the Polish academics, which were used to influence the modernization and construction of the water

works and the decision-making of the authorities. The National Fund was, besides providing financing, intended to serve in the same role but in practice its efforts were a disappointment:

“It [the investment in Kemipol] is very little for them. [...] No obligations with regard to this partner, for which I’m a bit bitter because they could play an active role in the promotion of our style of water treatment. But they don’t want to support us in this respect. I don’t know how to handle these Warsaw people.”

Despite the convincing and legitimizing efforts several of the customer plants were modernized for use of biological treatment. This influenced the sales of Kemipol. The exports sank also because Kemipol lost the tender in Berlin, but it came back next year. The designers and consultants seemed to favour biological treatment and in 1997 Kemipol signed the first formal cooperation agreement with a designer. The flood of spring 1997 meant to Kemipol the loss of its oldest and biggest drinking-water customer. To the loss was connected the change of management, which meant that the personal relationships that would have been needed for convincing the managers to continue with Kemipol were cut off:

“We had a great flood in 1997. The water in the reservoir where they take water changed the quality completely. Practically at the same time the management of the plant changed [...]. Then the water changed quality within one day and then it is dangerous: ferric salts are brown and if the colour gets to the net it becomes a political question. [...] Then they wanted to have aluminium sulphate from a competitor without any experiments.”

Next year the mechanical treatment system in the biggest sewage water customer was replaced by a biological system. After having experienced another great loss with respect to the biggest customers the networking actions were directed more towards the small and medium-sized customers to decrease the dependence on only a few big ones. Being close to the biggest customers became more and more important:

“And this is very important, I underline it very much, those people in my department have extremely good relations with the clients, we are friends of the clients even. Sometimes it is not very easy to go because sometimes they call us also in other matters, not connected with our work. But it works.”

On the other hand, the creation of more distributor and transport relationships meant a big change in the relationships with smaller customers because many of the relationships turned to indirect ones. From 1999 on the representatives of the PLC in the supervisory council changed to ones with whom business issues could be better discussed. However, the relationships with them were still not as effective in solving the practical problems as the friendship relations to the plant managers by the production manager. The managing director achieved good relationships with the PLC based on the earlier party companionship with the general manager and friendship relations with the supervisory council members. In the relationships with Kemwater Kemipol became well linked to its sister companies and Kemipol’s staff has cooperation with many persons from various Kemwater units. After ten years of operation the securing of all the time better customer service through resource acquisition and internal organizing became the most important activity of the managers. Therefore, new cooperation relationships were established to other chemical producers, distributors, designers,

transport companies and equipment suppliers. All of them aimed at developing Kemipol as a total problem solver to its customers in all water-treatment-related issues. Simultaneously the Kemipol managers looked for friendship relations especially to convince the customers to begin and stay with them in spite of the hard competition:

“We need to support customers with a lot of talks, dinners, personal relationships. I know about the families of many of them, problems with children... The last example is [the manager of a customer plant]: he was calling to me because his son was in England and he got some bad information and he couldn’t manage. He had a settled date when he needed to fly back, and he was in a panic. I have a friend near London and I gave him her number so that the son could call her... Such personal connections are created. You never know who is a customer and who is a friend, and when you are a director and when you are a private person.”

Findings of the study

The international joint venture managers seem to actually interact in the business network in four different types of individual-level relationships. They differ from each other on the basis of the degree of personal involvement and personal trust characterizing the interactions between the managers. The relationship types differ also with respect to the perceived criticality and possibility of use for business development. The differences between these four types of relationships are illustrated in Figure 1.

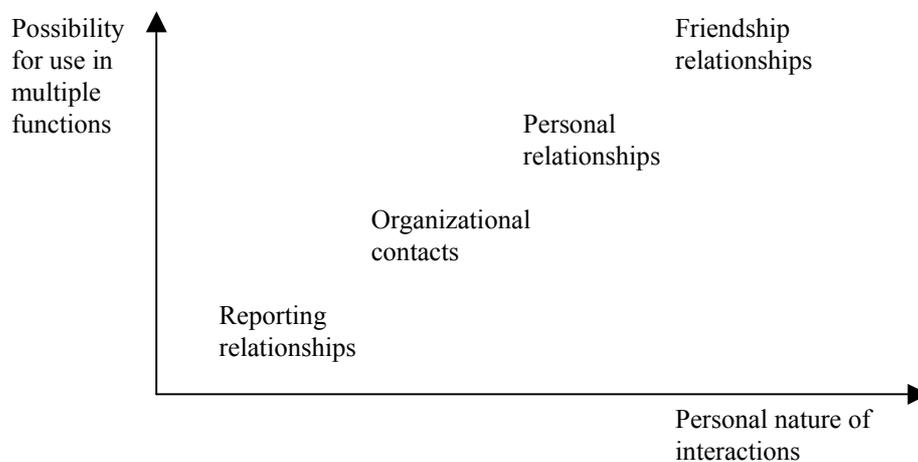


Figure 1. Four types of interpersonal relationships in the business network of Kemipol.

In reporting relationships the interaction is professional and formal. The relationships serve primarily as a channel for transferring simple information. The major exchanges take place in the form of documents and reports and transfers may be directed. Some relationships are already initially and naturally of this type because especially in parent-subsidary relationships some persons are responsible for yearly or monthly reporting. Similarly every company needs to do reporting to national tax officers, etc., about the financial results, the salaries and so on. However,

some relationships, on which has been set great expectations, may also turn to this kind of reporting relationship later. Their importance for business making is considered low and the managers of the focal organization often consider the obligations in the relationship one-sided. This may result, for example, from a disappointment in the fulfilment of the network function of the relationship or inability to develop trusting relationships between the individuals representing the interacting organizations. An example of this was provided above in the description of the relationship between Kemipol and the National Fund.

The second type of relationship, organizational contact, is more critical for the business operations of the focal firm and face-to-face interaction is common because negotiations and assessments of the other have to take place. However, the relationship as such is formal and based on organizational roles and fulfilment of organizational tasks. The interactions in the organizational contacts often relate to attempts to solve a kind of natural business problem or are connected with a kind of typical business arrangement. In the initial phases of Kemipol's development the interaction in these relationships was related to situations like permission applications, initial information search or financing arrangements. Contacts were established with the embassies, ministries and financiers. Also the relationships between the parent firm representatives in the supervisory council of Kemipol were organizational contacts in which the members of the council of each shareholder did not have other interaction with each other than the official meetings. In the customer and supplier relationships the organizational contacts can be described by the words of one manager "contacts are important but price in the end is very important" (cf. Uzzi 1997). These relationships are handled on the basis of the hard business facts and the interactions are mainly regulated by contracts. To whom the individual-level relationship exists is defined by the organizational structures of the companies. For example, the logistics manager of Kemipol takes contact to trading director of a distributor to discuss the delivery of products.

Personal relationships are ties between individuals who know each other quite well and have developed a kind of common language for smooth interaction. Still the relationships are somewhat formal, like that between acquaintances (see Granovetter 1982; Salmi and Bäckman 1999). The interactions in the relationship are based on the feeling that the other is interested in discussing with you and is ready to listen and exchange experiences. To this is related that the answer looked for through the interaction comes quickly and is a result of the interaction and that way easily acceptable. The relationships are very important for the development of the focal firm. Therefore, these relationships are carefully nurtured by paying attention to the contact persons. Through the relationships salient information and complex knowledge can be transferred. Although they are not as thoroughly trusted as the following friendship type of relationship, they are clearly personal in nature and include frequent, continuous interactions.

The relationships, which are the most characterized by the 'qua-persona' interactions and personalised trust, are named as friendship relationships. They include relationships to well known persons including also relatives, families and earlier workmates. The relationships can be relied on

in any problems and personal favours are reciprocally exchanged. A relationship is characterized as being of a friendly nature especially when it can help you in urgent matters. In the Kemipol's focal net the Kemipol-managers and marketing people are friends of customers because they help them by all possible means. The managers in the customer organizations can use their relationships with the Kemipol managers also in solving problems in personal life not at all related to business. Some persons in the parent companies have instead become friends with Kemipol managers when they have been able to help Kemipol managers in urgent business problems. Friendship relationships may develop quite quickly in business-related interactions but may also be relationships that have been created in situations totally independent of business. Typical of friendship relationships are (see Johannisson 1995) that they accept long periods without active interaction but then can be relied on when unexpected problems needing their activation arise.

One organizational relationship can include all the four types of the individual-level relationships or only one, two or three of them. This is because individuals in the organizations often interact with many individuals in the other organizations. Thus, one manager may have relationships with many managers in the counterpart organization some of which are friendship relationships, some others reporting relationships and so on. Also two managers in one organization may have different kinds of relationships with the same counterpart. Finally, one relationship between two managers may include all the four dimensions.

What makes it important to look at the existence of the various types of interpersonal relationships inside organizational relationships is that the type of personal relationships to great extent defines how the relationships can be used for business problem solving and business development. The interpersonal relationships have been, for example, suggested as the natural means of negotiation and persuasion (Turnbull 1979; Salmi and Bäckman 1999). In the Kemipol case some initial persuasion, door-opening, could be based on organizational contacts and role acting of the managers but in unexpectedly occurring problems, personal-level trust was required. The personal trust could, however, be based on a mediator (see Granovetter 1973). The Nordic managers were also keen on proactively using third-party relationships, e.g. customer or authority relationships, in the persuasion of the parent companies to invest in the project. Both types of convincing, personal reputation and relationships with well-known partners, are typical of entrepreneurial legitimating of new ventures (see e.g. Larson 1992). Thus, organizational contacts and personal relationships are appropriate for persuasion in different situations.

With negotiations between organizations and parental problem-solving are often connected compromising actions. Compromising, in turn, seems to require personal trust. But, the personal relationships and the personal trust do not easily develop between the managers who represent very dissimilar parents and in turbulent environmental conditions. Again mediators are needed. In the case as mediator acted the representative of a financier who was seen as a kind of neutral party by both parties and had the appropriate calm personality. Another mediator was a previous employee of the Polish parent who, however, had proved capable of understanding the interests of the Nordic

parent. As mediator acted also the local managing director of the joint venture, who could learn market-economy operational management but still had the capability to smoothly interact with the managers of a huge state-owned company.

The other primary type of actions over time was the resourcing of the new venture through relationship establishment. When a company is just about to emerge and is thus totally unknown in its markets of operation personal initiatives are extremely important for organizing the business. Especially the proactive use of third party relationships was useful. With respect to the human resources close personal relationships were of major importance. To be able to find good personnel in transitionary Poland the earlier work relationships of the production manager in the PLC were extremely important. Also because of the knowledge transfer, establishment of close personal relationships was important as was seen in the case of managerial, marketing as well as technical know-how. Resource acquisition was done also through formal contracts e.g. in the loan arrangements and equipment supply agreements.

The legitimizing of the new venture, i.e. gaining external approval and credibility for the venture, are often achieved through proven quality of operations, image, good business partners and reputation. In the development of customer relationships, close friendship relations and an easily applicable product were important. However, in the pressures created by the competition of another treatment system these venture-based issues proved to be insufficient. Lobbying became important. This aided especially the early organizing and was later used to compete with the alternative treatment method. The managers could rent e.g. the legitimacy of the governmental agencies, designers or consultants in their efforts to influence customers. Overall, the creation of the local market relationships needed strong personal relationships, in which is accepted their use for problems not at all related to business making. Thus, they were characterized by helping in any possible ways in any problems, which is typical of close friendship relationships. Yet, along with the growth of Kemipol and the widening of its customer network it needed to accept also indirect relationships with customers. In serving the smallest customers it began to rely on distributors and retailers. This is consistent with the claims (see e.g. Andersson 2001) that a firm is able to handle only a limited number of strong relationships. There is a trade-off between strength and number.

CONCLUSIONS

In this study the social embeddedness of business relationships has been both theoretically and empirically analysed in an attempt to answer the question: *How do the social relationships of the international joint venture managers influence the business organizing?* The study contributes to our understanding of the social relationships and the actions of the managers as the determinants of the organizing of the business network. It provides examples of how the interpersonal relationships of managers are intertwined with the business development.

On the basis of the empirical analysis the business relationships were seen characterised by four different layers of interpersonal relationships. This enriches the earlier dyadic divisions of

relationships into strong and weak ties based on the Granovetter's classical ideas of interpersonal relationships. Besides, the present study emphasizes that a single organizational relationship can include all these four types of interpersonal relationship or only a few of them. Which ones of the interpersonal layers the relationship has influences the ability of the managers to use it in business. The reporting relationships are primarily channels for transferring standardized, simple information, e.g. in relationships to the parents and authorities. The organizational contacts fit the handling of a kind of normal business matters, like initial search of market information, permission applications and financing arrangements. Through them initial convincing of the partners and customers and initial legitimating of the venture through relationships to embassies, ministries or financiers can also be done. Personal relationships are needed for knowledge transfer in parent relationships and transfer of salient information, evaluation, creation and maintenance of customer relationships. Friendship relationships can be relied on in any problems. Typical to them is being available in any situation and providing help in urgent, unexpectedly up-risen business problems.

The need for different kinds of relationships is strengthened in the case of an international joint venture in the transition markets. On one hand, the utilization of personal contacts and friendship for any problem solving is a cultural characteristic of the East European countries to which people have got used under the socialist system. This makes close personal relationships crucial for the achievement of the needed resources for operation from the old Polish firms and for positioning the joint venture advantageously in the local market with previously centrally managed customers. Establishment of personal relationships is also needed for transferring technological and marketing know-how. Personal initiatives, proactiveness and use of personal reputation and parties with established positions in influencing others are typical of favourable actions. On the other hand, the managers of international joint ventures, based on the nature of an international joint venture as a multi-cultural and international unit from its initiation, need to be prepared to act also in international relationships, which may be much more regulated by contracts and prices.

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