

## ***‘Interaction’ with Contract Workers: extending the ‘approach’***

***Donelda S. McKechnie, American University of Sharjah, UAE<sup>1</sup>***

***Sandra Hogarth-Scott, University of Bradford School of Management, UK<sup>2</sup>***

### ***Abstract***

Fundamental to the Interaction Approach are four factors identified by Hakansson (1997). This paper explores interactions with contract workers using the four factors, which focus on issues of (1) active participation; (2) duration, closeness and complexity of the association; (3) participant roles and expectations; and (4) continuity of resource supply. Data to support the paper is taken from an in-depth study involving respondents grouped across 4 distinct employment categories: limited company contractors – agency hire, limited company contractors – direct hire, pay as you earn (PAYE) contractors and full-time staff. The qualitative findings indicate the most notable differences in the responses: workers who interact with the organization under contingent conditions engage in transaction scenarios whereas those who are tied to the organization as full-time staff and pay-as-you-earn (PAYE) contractors engage in exchange only to a limited extent, according to their employment contracts. This suggests that the interaction approach to the study of interorganization exchange may be extended to the intra-organization buy-sell situations between the organization and its contract workers. This paper sets out to explore this shift in the theoretical perspective of the interaction approach.

### ***Introduction***

A basic assumption of the interaction approach in business markets is that the participants are companies or organizations who conduct business ‘... within the context of a relationship’ (Turnbull, Ford and Cunningham, 1996, p 44). The introduction of contingent labour to the workplace makes it possible to conceptually challenge the view that only organizations are participants. Contract workers function within the workplace under buyer-seller conditions (McKechnie, 2001) and arguably interact with the organization in the same manner as what occurs between companies in the external marketplace (McKechnie, 2001).

The interaction relationship between organizations relies on four factors for explanation: (1) active participation between buyer and seller, (2) duration, closeness and complexity of the association, (3) roles and expectations become institutionalized and (4) continuity of resource supply (Hakansson, 1997, p 7). Interaction, itself, is identified as a process and structured in a model which is comprised of four elements: (1) the interaction process, (2) the participants in the interaction process, (3) the environment within which interaction takes place and (4) the atmosphere of the relationship (Hakansson, 1997, p 8). Through the evolution of research interest, the focus has remained on the relationship between the interacting units, as the unit of analysis, (Turnbull, Ford and Cunningham, 1996) and the participants of the interaction continue to be organizations.

---

<sup>1</sup> Author contact: [dsmckechnie@aussharjah.edu](mailto:dsmckechnie@aussharjah.edu), School of Business and Management, American University of Sharjah, P.O. Box 26666, Sharjah, United Arab Emirates

<sup>2</sup> Author contact: [s.hogarth-scott@bradford.ac.uk](mailto:s.hogarth-scott@bradford.ac.uk), School of Management, University of Bradford, Emm Lane, Bradford, UK

Literature references to people within interacting organizations notes their potential to influence the relationships through their attitudes, behaviours and previous episodic and/or situational experiences. However, this does not change the consideration that the primary participants to the interaction are organizations. Yet, recently contract workers have been identified as engaging in buy-sell relationships (McKechnie, 2001) which raises the question that maybe the business marketing literature has self-imposed limitations by only considering organizations as the interacting units. This suggests the opportunity to extend the theoretical perspective of the interaction approach to include contract workers. The purpose of this paper is to pursue this stream of thought focusing on the participant element in the interaction process. Substantiating the relationship conditions, using the four factors as parameters, is noted in respondent data collected in qualitative and quantitative form.

### ***Conceptualizing interaction with a model***

The buyer-seller interaction is conceptually represented in the model proposed by Hakansson (1997, p 8). It has four elements, each sub-divided. The model focuses, first, on the actual interaction, second, on the participants and then increasingly broadens to introduce the influences of environment and atmosphere. The elements and sub-elements include:

- (1) the interaction process, which involves the broad categories of episodes or relationships that incorporate commodity exchanges of (a) product or service, (b) information, (c) financial, and (d) social,
- (2) the participants, which are characterized according to (a) technology, (b) organizational size, structure and strategy, (c) organizational experience, and (d) individuals,
- (3) the environment, which considers (a) market structure, (b) dynamism, (c) internationalization, (d) position in the marketing channel and (e) the social system,
- (4) the atmosphere, which examines the (a) economic and the (b) control dimensions.

The discussion within this paper draws on interview statements taken from the respondents to address the fit of contract workers as participants, which is element # 2.

### ***Contract workers in the interaction network***

An examination of the business arena where contingent labour engages in professional activities such as engineering or IT technological services notes a network of interacting organization participants (McKechnie, 2001). These include, but are not limited to (1) contract worker groupings that may be characterized across various contingent and/or non-contingent employment categories, (2) recruitment agencies in the pivotal position between contractor and the organization, (3) the 'customer/client' of the company/organization (4) various suppliers with whom any of the parties may come in contact during the daily course of their tasks and responsibilities and, of course (5) the organization buying the contractors' services. Typically, then, a contract worker group(s) will engage in interactions with multiple organizations at any given time. They function as actors within the relationship, perform activities within the network and use resources as they undertake to adapt their business patterns with other network participants (Anderson, Hakansson and Johanson, 1994). Accordingly, the '...parties are aware of each other's existence and try to understand and influence each other' (Ford, Hakansson and Johanson, 1997, p 57).

### ***Contract workers as participants in the intra-organization dyad***

Previous literature defines contingent labour as ‘...individuals brought in through employment agencies; on-call or day labour; and workers on site whose services are provided by contract firms...’ (Matusik and Hill, 1998, p 680). They are temporarily linked to the organization through contract parameters such as time, tasks, skills and compensation. These elements, and the arm’s length association with the organization succeeds in positioning the contractors as ‘sellers of services’ when examining the organization’s network (McKechnie, 2001).

Support for the view that contingent labour may be considered as a dyad participant is taken from the proviso that ‘intercompany interactions are performed by human beings’ (Ford, Hakansson and Johanson, 1997, p 57). It is not the organizations, per se, who interact; rather, it is the individuals within the organization who engage in the activities of business. In the abstract, organizations are comprised of positions and the people who fill the positions are interchangeable, one company to another (Coleman, 1974). Allowing that the study of interactions is narrowed to the human element, i.e., between interchangeable people, suggests that contract workers, acting as individuals on behalf of contingent labour groups, may be considered as participants in the dyad.

Contract workers as interaction participants with the organization are further supported by the view that a market is ‘... made up of *individual* companies, each of which has different requirements, experience, commitments, skills and technology’ (Ford, Gadde, Hakansson, Lundgren, Snehota, Turnbull and Wilson, 1998, p 270, their emphasis). The authors suggest not ‘... to look at the market as a kind of *abstract whole*’ (Ibid, p 270, their emphasis) but rather to differentiate using groups and relationships as the basis for analysis. In context, here, it is possible to group contingent labour by contract characteristics, recognizing that the category distinctions facilitate identifying buy-sell relationships.

### ***Contract workers engaging in a service interaction***

The interaction involving contract workers typically is service oriented, which by nature, positions the buyer and seller in simultaneous interaction. With regard to professional services, the participant organization in the dyad is ‘... highly dependent on the individuals carrying out that service’ (Axelsson and Wynstra, 2000, p 11). A service interaction, then, is driven by its human resources. In the case of contract workers who engage in the selling of professional services, it is possible to argue that they are supplier participants in the dyad when they are grouped using such elements as employment and/or contractual characteristics.

Services interactions are differentiated, according to Axelsson and Wynstra (2000) by ‘*how the customer uses the good*’ (p 12, their emphasis). They identify four categories, (1) component, (2) transformation, (3) working-method and (4) consumption or support services, noting that the variations in the interaction patterns are not so distinctive as to make the classifications mutually exclusive.

Contract workers who engage in professional services fit as component and/or transformation services. In the first instance, component services are ‘... part of the offering (‘package’ of core and peripheral services) to the customer’s customer’ (Ibid, p 12). For example, where the service supplied is skills and abilities, such as engineering knowledge, software development, etc., then the buying organization bundles the contractors’ work into a project package being sold to its customer. Work by contractors, then, becomes part of the offering.

In the latter case, transformation services involve knowledge and capabilities that ‘... are the result of processing/modifying information, or of the productive use and collection of information’ (Ibid, p 13). When produced, these services may be inventoried for consumption at a later date. In context, work by contingent labour may be held as the buying organization’s proprietary product and sold to its customers. Such products may include software programmes, engineering designs, architectural drawings for sale, etc.

### ***The four factors that underpin the Interaction Approach***

Interorganization exchange is examined ‘... to understand and explain the dynamics of developing, maintaining, and terminating relationships’ (Moller, 1994, p 365). Hakansson (1997) identifies four factors that underpin the theoretical position taken in the interaction approach research. These factors summarize the context of business to business interaction processes and describe the nature of the association regardless of whether it is two parties or several parties, simultaneously, that engage in the relationship.

The first factor focuses on active participation between the buyer and the seller. Both parties take the initiative to seek respective buy-sell partners, to alter the offerings or commodities as required, and to manage the process through manipulation or control for the purpose of achieving the desired outcome.

The second notes duration and complexity as characteristics of the association where interactions involve maintaining a relationship rather than engaging in discrete transactions. Temporally, the parties are involved long term and the intricacies of the buy-sell exchange elements are increasingly complex ‘...between and within each company’ (Hakansson 1997, p 7).

Third, is the role expectation that develops between the parties. Issues such as (a) who has responsibility for the tasks and (b) whether projected performance is being fulfilled become institutionalized in the interaction processes. Conflict and co-operation co-exist, which requires that the participants must adapt for relationships to develop.

The last factor is continuity of resource supply. It involves framing the relationship using the historical and social elements that have evolved between the parties as any commodity transfer has taken place. The focus, here, is on the nature of the relationship as it develops over the span of one major transaction.

### ***The Study***

The broad focus of this research questioned the existence of an interface between the organization and its contract workers (McKechnie, 2001). To understand the dynamics of any association, it was necessary to explore (1) how an organization uses its contract workers and (2) what processes are undertaken by an organization when offering, maintaining, and

terminating contracts. The unit of analysis for the project was the transaction in the dyad and not the characteristics of the individual contractor.

The fieldwork was conducted at a company in the oil & gas sector, located in the north of Scotland. The organization is in the business of designing, modifying, and servicing off-shore oil rigs in the North Sea and has an on-shore labour force that is approximately 60%-40%, contract workers to full time staff.

The company uses 4 categories to distinguish between the contractual arrangements made with each labour grouping: limited company contractors – agency hire; limited company contractors – direct hire; pay-as-you-earn (PAYE) contractors; and full time staff. Limited company contractors are generally incorporated as a business and receive payment for their services through invoices submitted to the fieldwork company in a manner similar to suppliers. Pay-as-you-earn contractors do not hold limited company status for their position with the organization but are engaged by the company as named individuals. Full time staff works under typical employee-salary/hourly pay conditions.

Limited company contractors, agency hire and direct hire, do not issue invoices directly to the organization but rather, are buffered by a recruitment agency that acts as an intermediary. This is normal practice across industries that use contract workers (McKechnie, 2001). The significant difference between agency hire contractors and those who were direct hire is the identity of the recruitment agency. Agency hire people are contracted through an independent agency and business between all parties is an arm’s length transaction. On the other hand, the fieldwork company has set up its own in-house agency to deal with contingent labour. The intent of this action had been to keep the fees and commissions, which are normally paid for recruitment, in-house. The practice arguably created non-arm’s length conflict as the agency’s interests were for the company, first and the contractors, second. Those with contracts held by the in-house agency are called direct hire.

... *methodology and respondents*

The respondents for the qualitative data are, for the most part, professional engineers from the structural, piping, electrical, mechanical, etc., areas of expertise. The others interviewed work in support/admin functions. In total, 27 semi-structured interviews were conducted and covered the depth of the internal hierarchy from director to receptionist/clerical level.

Quantitative data was collected through an electronic survey on the company Intranet. Of a possible 780 respondents, 158 (20.3%) completed the questionnaire. The contingent to non-contingent split was 58.2% - 41.8%, consistent with the company’s labour force ratio. The 58.2% contractor total broke down as follows (table 1): 15.8% were limited company contractors – agency hire; 17.7% were limited company contractors – direct hire; 24.7% were pay as you earn contractors.

Table 1: Percentage of contract worker respondents, by categories

Contract Workers – % of workforce	Limited company contractors – agency hire	Limited company contractors – direct hire	Pay As You Earn (PAYE) Contractors
58.2%	15.8%	17.7%	24.7%

The question response format was a 6 point Likert scale: 1- strongly disagree; 2 – disagree; 3 – somewhat disagree; 4 – somewhat agree; 5 – agree; 6 – strongly agree. The intent of this structure was to force the participants to consider their answers rather than use a 5 point scale which would have given them the option of ‘neither disagree nor agree’. Findings reported herein, group the 3 selections for each under the summary headings of disagree or agree, respectively.

### ***Characteristics of the interacting parties – how contractors fit***

Four broad categories are used to characterize the interacting parties, which is element # 2 of the model. These include (a) technology, (b) organization size, structure and strategy, (c) organizational experience and (d) individuals (Hakansson, 1997, p 11-12). Explanation of these four criteria, taken from qualitative data within the study, further supports including contract workers as one of the parties in the dyad interaction.

First, technology is explained as ‘...tying the production technology of the seller to the application technology of the buyer’ (Hakansson, 1997, p 11). Within this study, contract workers are seen to be the ‘seller’ whereby their engineering skills and abilities are needed by the buying organization to fulfill revenue generating activities. Their commodity is a service, identified by the simultaneous action of production and application, with the intent of achieving satisfaction from the buying organization’s client. Any gap between actual and required expertise potentially risks the satisfaction of the organization’s client.

*‘...they come here as contract people, selling their services, we assume that they’re competent in more than just their technical discipline’* Organization spokesperson

*‘...if they were a business, we have some contractors that actually have businesses, we can definitely measure them. We don’t pay them until they assure us they’ve done the work ... [that’s the] formal aspects of a business to business relationship, a business contract.’* Organization spokesperson

Second, organization size, structure and strategy influence the interaction in the dyad. Logically, size is a significant factor given that the organization has the potential to dominate the smaller contractor grouping. However, time moderates the relationship. Initially, it is the processes and entry formalities of the organization which are used to set the structure of the interface. However, as the relationship between the parties develops, then it is possible for the smaller dyad participant, in this case the contract worker, to impact the interaction and potentially guide the outcome. This is achieved through an ongoing association that may be contiguous or comprised of a collection of individual episodes.

*‘...people’s attitudes change from them being just a commodity at the front end. They become much more of a person as you go through the project, so people’s attitude to them as individuals changes because when they first come in ... you must have some sort of a standard when they come in. You’re a contractor, this is what we expect. On the back end of the contract they’re much more of a person, they’re a person, so they don’t get treated quite as black and white as that ...’* Organization spokesperson

The history of both dyad participants within the industry, in general, and the field of expertise, specifically, will influence the interaction through the third characteristic of organizational experience. Knowledge of similar situations and level of importance placed

on the interaction are used to guide the relationship. In the case of contract workers, they benchmark their experiences according to past projects on which they have worked, past companies and past positions. Although the organization felt that contractors are only money oriented, it is actually their work reputation that is the impetus for the way they approach the interaction. As the buyer of services, within the dyad, the organization uses the more broad scope of the industry's pay rates and the treatment of contractors as the gauge.

*'Erm, my own personal commitment is that I want to keep my reputation up and the reputation of the group. And I like to think I pass that on to the other guys within the group in that I'll say we have a date to meet and I want to meet that date. I don't want to miss it. And eh it's important that we get it in, and the reputation of the group will suffer if we don't. And our, if our reputation is good then we'll continue to get more work and eh more work means more hours means continuity of work and therefore money in the bank. So it's important from that. Again it's a personal reputation you know, I like to think that I've got where I have based on what people have seen me doing and seen my commitment to the job and to the individual companies. I do commit myself to the companies that I work for whether I'm contract or staff and err I like to think that they get value for money out of me.'* Contract worker

The last characteristic of the interacting parties, as noted by Hakansson (1997, p 12), is narrowed to individuals. Organizations do not interact, per se, but rather it is the people within who engage in product or service, information, financial or social exchange. Each interface is an episode, which accumulate over time into 'contact patterns' (p 12, his emphasis) as the relationship develops.

*'...the de facto contractors are very important to us because we, you know, the majority of our employees are contractors, simple as that. Now contractors, so the integration of contractors the proper way into our business is quite important to us because a lot of the contractors hold quite key positions... unusually key positions relative to the rest of the UK. ...The middle rank people worry too much about their integration into the business. They've started to accept the fact that in the last year or two that these people are a significant part of business ...'* Organization spokesperson

*'The limited company guys, it's about the money, if you want to call it that. So, they don't look across the whole company ... only look at a job ... so they see their history in the company as being job to job. Because that's what they're interested in ... so whereas a project is somebody's living as a contractor, it's a means to an end for a [staff] guy [interested in] career development ...'* Organization spokesperson

#### **Four Factors – in theory and practice**

Four factors, as explained by Hakansson (1997) are central to the theoretical foundation of the interaction approach. The summary of data below is taken from the qualitative interviews and responses to survey questions (Table 2).

- (1) *'... both buyer and seller are active participants in the market' (Hakansson, 1997, p 7)*

The concept of active participation was addressed in the survey instrument with the statement 'Selling my skills to get a job done is a service I provide to the company'. Here, contractors

were asked to self-assess their ability to solve a problem for the organization. By reducing the uncertainty of the need, the market and/or the transaction (Hakansson, Johanson and Wootz, 1976), through the service they provide contract workers, as sellers, have the capacity to influence the buying organization. They are able not only to satisfy the buying organization's needs but also to reliably deliver the solution. Whether they felt they did this was the objective of the question.

The responses, overwhelmingly weighted to the three agree columns, 92.4%, indicated that contract workers believe they actively participate in the relationship. Only 12 people, or 7.6%, selected one of the 3 'disagree' categories. Across the employment groupings, the percentage responses recorded in one of the agree columns were 100.0% of the limited company contractors (LCC) – agency hire, 96.4% of the limited company contractors (LCC) – direct hire, 89.8% of the PAYE workers, and 89.5% of the staff workers. Thus, the three contractor categories and the one staff grouping felt that they are engaged in active participation with the company.

The interview discussions noted that unlike workers in full time or pay-as-you-earn contractor employment conditions, limited company contractors in their contingent labour capacity are more active in their interactions with the organization. As dyad participants, this latter group is very aware of the environment within the workplace, often monitoring the effectiveness of management business practice as a means of protecting their reputation as contractors in the industry. They actively uphold their network associations with recruitment agencies, other contractors, and past organizations for whom, or with whom, they may have worked. In short, they are active participants in the market equally to the extent that the organization engages in buy-sell interactions.

- (2) *'... the relationship between buyer and seller is frequently long term, close and involving a complex pattern of interaction between and within each company'*  
(Hakansson, 1997, p 7)

Exploring the tenure and complexity of a relationship is facilitated through a common frame of reference, which in this case, are the goals of the project(s). The distinction is made that these are not organization goals, but rather project goals, for two reasons. First, project goals provide a benchmark from which the interaction may be nurtured for continuous association or 'the relationship can be discontinued by either party on the basis of their assessment of its potential, the performance of the other party, or of the actions of outsiders' (Ford, 1980, p 346). Commitment to the successful achievement of the common objective is measurable, by both parties as the relationship develops (Ford, 1980). The second reason for using project goals is more specific. According to Reve and Stern (1986, p 77), goal compatibility facilitates achieving successful organization objectives by enabling buyers and sellers to '... perceive that they can both attain their goals concerning the joint tasks facing them ...'. Thus, it would be illogical to continue the relationship if one or both parties were not achieving their organization objectives, which inherently supports a 'long-term' and 'close' association.

Three related statements were made: (1) *'I contribute, through my work, to the achievement of the goals of the project(s)'*, (2) *'I know the goals of the project(s) on which I work'*, and (3) *'The goals for the project(s) on which I work impact customer satisfaction'*.

The results for the first question tabulated the following percentages within the 'agree' columns: 96% of the limited company contractors – agency hire, 100% of the limited



company contractors – direct hire, 97.4% pay as you earn contractors and 100% staff personnel.

Asking the second question, whether they know the goals, drew the following percentage responses across the agree columns: 92% of the limited company contractors – agency hire, 85.7% of the limited company contractors – direct hire, 84.6% pay as you earn contractors and 95.5% staff personnel.

The third question focused on awareness of the link between goals of the project(s) and customer satisfaction. The agree column responses tabulated as 100% for both categories of limited company contractors, 94.9% pay as you earn contractors, and 98.5% staff personnel.

Thus, responses within the survey indicated that each employment grouping was aware of the goals, which inherently contributes to complexity in the relationship given that the buy-sell interaction between the participants also considers the organization's client. However, it was the interview comments which provided more information about how relationships evolve in closeness and complexity over the long term.

Noted is the fact that the organization-contract worker dyad relationship is rarely discrete and episodic. In this company, maintaining contact for future client work is critical to both parties. Contingent labour is kept as a 'pool resource' at the end of jobs and re-assigned to new responsibilities as required. The contract specifications, established at the initial interface between the organization and contingent labour, are increasingly blurred with each renewal period. The organization reasons that this practice gives them the advantage when buying services from contract workers. Rather than the contractors re-negotiating stringent terms before beginning new assignments, the company is able to use industry standards as the benchmark for the pay rates being offered.

A complex pattern of interaction becomes evident when noting that contractors are in the workplace under their own limited company umbrella but handle key tasks and front-line responsibilities with the client, on behalf of the organization. The organization acknowledges that they could rely on contractors to fulfill tasks leading to client satisfaction because of their willingness to work long hours and meet deadlines. To offset their buying position in the dyad, the organization refers to contract workers as 'joining the grown-ups' when they stop 'selling' their services and join the company in a staff position.

(3) *'... the links between buyer and seller often become institutionalized into a set of roles that each party expects the other to perform ...' (Hakansson, 1997, p 7)*

Identifying expectations and institutionalization of roles within the buy-sell relationship centred on two questions: (1) *'No major distinction between limited company contractors, paye contractors and staff are made by the company'* and (2) *'Major distinctions between limited company contractors, paye contractors and staff positions should be made by the company'*.

The shortcoming of these statements was the respondents' likely interpretation of 'major distinctions'. However, the results from the survey did note that 64% and 64.3% of limited company contractors – agency hire and direct hire, respectively, felt that major distinctions are made. 61.4% of the paye contractors also felt that major distinctions are made whereas only 50% of the staff answered in this way.

The second question asked whether major distinctions should be made. Only 24% of the limited company contractors – agency hire, 32.2% of the limited company contractors – direct hire and 25.6% of paye contractors agreed that they should. Interestingly, 54.6% of staff sought major distinctions between the employment categories. This suggests that contractors did not feel it was necessary for the buying organization to differentiate according to their employment characteristics as their tasks and responsibilities were fulfilled through the supplier of services position they held in the interaction.

Results from the interviews identified that the organization and the contract workers have specific expectations regarding the role and the responsibilities of the other dyad member. In addition, regardless of hierarchical position, similarities and differences across contingent/non-contingent labour group categories are also noted. For example, all parties to the dyad similarly acknowledge the role of contractors as ‘supplier of services’. Differences surfaced when it was proposed that contractors could be considered as stakeholders of relevance: senior management dispute this suggestion whereas limited company contractors support the notion.

(4) ‘... close relationships are often considered in the context of continuous raw material or component supply’ (Håkansson, 1997, p 7)

Within the survey instrument, the respondents were asked to comment on the existence of a business relationship between the organization and the limited company contractors, the pay as you earn contractors and the staff personnel, respectively. They were given ‘the purchase and sale [exchange] of goods and services’ as the frame of reference for ‘business relationship’.

The first point of interest was ‘*Limited company contractors have a business relationship with the company*’. 85.4% of all respondents answered within one of the agree options. The breakdown across categories was: 76.0% of limited company contractors, agency (outside recruitment agency) hire, 89.3% of limited company contractors, direct (internal recruitment agency) hire, 89.8% of pay as you earn contractors, and 84.9% of staff personnel

The second sub-question was ‘*PAYE contractors have a business relationship with the company*’. The percentage of all respondents answering in one of the agree columns fell to 75.3% for this statement. Across the employment categories, the difference in the response pattern was more noticeable: 56.0% of limited company contractors, agency hire, 75.0% of limited company contractors, direct hire, 77.0% of pay as you earn contractors, and 81.8% of staff personnel felt they were in a business relationship with the company.

The third query in this section stated ‘*Staff personnel have a business relationship with the company*’. Here, the percentage dropped further: 62% of all respondents agreed, to some degree, with this statement. The results varied according to those working under more defined contingent labour conditions, i.e., contractors, and others who were staff or had staff-like employment parameters, i.e., pay as you earn contractors. 40.0% of limited company contractors, agency hire, and 57.1% of limited company contractors, direct hire, agreed to some degree, 69.3% of pay as you earn contractors selected one of the three agree options available, and 66.1% of staff personnel considered they have a business relationship with the organization.

Continuity of resource supply is identified by both the contractors and the organization, during the interview discussions. As noted earlier, the interactions between the organization and the contract workers are rarely bound by one job and one contract over a pre-determined and unyielding period of time. By definition, they become 'close' in the majority of cases as contingent labour is either redeployed through the contractor pool or moved immediately on to a new job, thus bypassing the pool. However, as the relationship develops, it is possible to break the interaction into episodic parts because the nature of work is project- and specific-client defined. Contractors provide a continuous stream of skills, as required by the organization, which meets the criteria of the interaction approach fourth factor.

### ***Caveats to the study***

The exploratory nature of this research initially questioned the existence of an intra-organization buyer-seller exchange between the organization and the contract workers. Examination of the interactions was facilitated by the ability to isolate the transactions at an individual level before categorizing the findings by participant groupings. The data suggests that further study in this area is prudent, while cautioning that only one company was the focal point and variables, such as the maturity of the organization (McKechnie, 2001) may play a part.

The respondent interviews identified that contract workers are seen to be 'sellers' of a service and 'buyers' of jobs. Inherently, the organization assumes the 'buyer' position, in the first instance, and the 'seller' when contingent labour seeks new contractual work. The assumption in this paper is that the contract worker is selling, for the sake of explanation. However, the buy-sell exchange may also be approached from the organization taking the position of seller. An important opportunity for future research is the question of who is buying and who is selling, in interactions between organizations and the workforce, both contingent and non-contingent.

Organization culture has not been dealt with in this study. The determination of factors related to culture is an area for future research. However, for this project, culture was not addressed as the focus was on the interaction and the dyad transaction rather than any elements which potentially could have influenced the participants.

The findings presented in this paper include both quantitative and qualitative data. Notably, the qualitative results provide more information for the understanding of the interaction between the participants. The quantitative results have generated only specific responses to the statements and/or questions on the survey. Given the exploratory nature of this topic, the in-depth interviews proved to be the more valuable means for undertaking the study. Future empirical examination of the topic using a quantitative methodology will require questions that are very focused to a specific research question.

### ***Managerial Implications***

Typically, the management view of contract workers has been the realm of other disciplines such as human resources, flexible employment and business strategy. In marketing academe, contract workers have been examined under the domain of the services literature yet, in practice, have not been embraced as significant players in the workplace (McKechnie, 2001). The arguments presented in this paper indicate that contract workers, as a group, have their place in business to business discussions.

For management, this suggests that dealings with contractors should receive greater attention. As participants, contract workers have an association that is more complex than the usual view that they are 'employees' and should be considered as such. This short-sighted vision arguably impedes the development of competitive advantage that is possible if management were to regard contract workers, who engage in professional services, as a business relationship rather than 'temporary' or 'flexible' positions in the workplace.

Interaction in business markets implies interdependence between the participants. This paper suggests that interaction is taking place and interdependence is being established. Management, however, in their dealings with contract workers has been slow to recognize this shift in the business paradigm. Marketing has been even slower (McKechnie and Hogarth-Scott, 2003). Contract workers are increasingly more cognizant that they engage in a buy-sell exchange with the company (McKechnie, 2001). They are establishing their place in a network of interactions while organizations still play employer-employee games with their temporary/flexible positions and contracts. In short, contract workers are proving to be increasingly savvy as participants in the business dyad. This, arguably, gives them advantage in the relationship.

### ***Conclusion***

This paper introduces the theoretical shift of the interaction approach to include the business to business relationship between organizations and contract workers. The focus of the paper is the participants in the dyad. The argument for the consideration of contingent labour is taken from the characteristics specified in the interaction model: (a) technology, (b) organizational size, structure and strategy, (c) organizational experience, and (d) individuals. The application of the four factors of the interaction approach (Hakansson, 1997) to contract work practices is explored.

The contribution this paper makes to the literature is the examination of the interaction approach using the tact of contract workers as a business entity in the dyad. This extends the concept from the typical organization to organization scenario. The qualitative findings indicate the most notable differences in the responses: workers who interact with the organization under contingent conditions engage in transaction scenarios whereas those who are tied to the organization as full-time staff and pay-as-you-earn (PAYE) contractors engage in exchange only to a limited extent, according to their employment contracts. This suggests that the interaction approach may be extended to the intra-organization buy-sell situations between the organization and its contract workers. However, future research is required to explore this idea and to test its application across industries beyond the oil and gas sector that is discussed herein.

Table 2: Questionnaire agree-disagree % responses across the 4 contingent/non-contingent groups ('totals' represent the totals for the 3 agree columns and the 3 disagree columns of the survey; the 3 agree columns are shown separately for analysis)

Lcc: limited company contractors, agency hire & direct hire;

Paye: pay as you earn contractors

Staff: typical employee-salary/hourly pay conditions

		Agree %	Somewhat Agree %	Strongly Agree %	Agree column totals	Disagree column totals
<b>(1) Active Participation:</b>						
<b>Selling my skills to get a job done is a service I provide to the company</b>					<b>92.4 %</b>	<b>7.6 %</b>
Breakdown by groups:	Lcc – agency	52.0 %	8.0 %	40.0 %	100.0 %	0.0 %
	Lcc – direct	64.3 %	21.4 %	10.7 %	96.4 %	3.6 %
	Paye	51.3 %	23.1 %	15.4 %	89.8 %	10.2 %
	Staff	31.9 %	37.9 %	19.7 %	89.5 %	10.5 %
<b>(2) Duration and complexity</b>						
<b>I contribute, through my work, to the achievement of the goals of the project(s)</b>					<b>98.8 %</b>	<b>1.2 %</b>
Breakdown by groups:	Lcc – agency	44.0 %	0.0 %	52.0 %	96.0 %	4.0 %
	Lcc – direct	60.7 %	7.1 %	32.1%	100.0 %	0.0 %
	Paye	53.8 %	10.3 %	33.3 %	97.4 %	2.6 %
	Staff	40.9 %	6.1 %	53.0 %	100.0 %	0.0 %
<b>I know the goals for the project(s) on which I work</b>					<b>90.5 %</b>	<b>9.5 %</b>
Breakdown by groups:	Lcc – agency	52.0 %	16.0 %	24.0 %	92.0 %	8.0 %
	Lcc – direct	46.4 %	21.4 %	17.9 %	85.7 %	14.3 %
	Paye	43.6 %	20.5 %	20.5 %	84.6 %	15.4 %
	Staff	42.4 %	19.7 %	33.3 %	95.4 %	4.6 %
<b>The goals for the project(s), on which I work, impact customer satisfaction</b>					<b>88.1 %</b>	<b>1.9 %</b>
Breakdown by groups:	Lcc – agency	36.0 %	12.0 %	52.0 %	100.0 %	0.0 %
	Lcc – direct	50.0 %	14.3 %	35.7 %	100.0 %	0.0 %
	Paye	43.6 %	15.4 %	35.9 %	94.9 %	5.1 %
	Staff	37.9 %	4.5 %	56.1 %	98.5 %	1.5 %
<b>(3) Role expectation</b>						
<b>No major distinction between limited company contractors, paye contractors and staff are made by the company</b>					<b>42.4 %</b>	<b>57.6 %</b>
Breakdown by groups:	Lcc – agency	16.0 %	20.0 %	0.0 %	36.0 %	64.0 %
	Lcc – direct	10.7 %	25.0 %	0.0 %	35.7 %	64.3 %
	Paye	20.5 %	12.8 %	5.1 %	38.4 %	61.6 %
	Staff	22.7 %	22.7 %	4.5 %	49.9 %	50.1 %

		Agree %	Somewhat Agree %	Strongly Agree %	Agree column totals	Disagree column totals
<b>Major distinctions between limited company contractors, paye contractors and staff positions should be made by the company</b>						
					<b>38.6 %</b>	<b>61.4 %</b>
Breakdown by groups:	Lcc – agency	12.0 %	8.0 %	4.0 %	24.0 %	76.0 %
	Lcc – direct	14.3 %	14.3 %	3.6 %	32.2 %	67.8 %
	Paye	17.9 %	5.1 %	2.6 %	25.6 %	74.4 %
	Staff	16.7 %	27.3 %	10.6 %	54.6 %	45.5 %
<i>(4) continuity of resource supply</i>						
<b>Limited company contractors have a business relationship with the company</b>					<b>85.5 %</b>	<b>14.5 %</b>
Breakdown by groups:	Lcc – agency	40.0 %	16.0 %	20.0 %	76.0 %	24.0 %
	Lcc – direct	60.7 %	10.7 %	17.9 %	89.3 %	10.7 %
	Paye	51.3 %	28.2 %	10.3 %	89.8 %	10.2 %
	Staff	47.0 %	25.8 %	12.1 %	84.9 %	15.1 %
<b>PAYE contractors have a business relationship with the company</b>					<b>75.3 %</b>	<b>24.7 %</b>
Breakdown by groups:	Lcc – agency	24.0 %	24.0 %	8.0 %	56.0 %	44.0 %
	Lcc – direct	39.3 %	35.7 %	0.0 %	75.0 %	25.0 %
	Paye	51.3 %	15.4 %	10.3 %	77.0 %	23.0 %
	Staff	39.4 %	33.3 %	9.1 %	81.8 %	18.2 %
<b>Staff personnel have a business relationship with the company</b>					<b>62.0 %</b>	<b>38.0 %</b>
Breakdown by groups:	Lcc – agency	16.0 %	16.0 %	8.0 %	40.0 %	60.0 %
	Lcc – direct	32.1 %	17.9 %	7.1 %	57.1 %	42.9 %
	Paye	43.6 %	15.4 %	10.3 %	69.3 %	30.7 %
	Staff	33.3 %	22.7 %	12.1 %	68.1 %	31.9 %

## References

- Anderson, James C., Hakansson, Hakan, and Johanson, Jan (1994) *Dyadic Business Relationships Within a Business Network Context*, Journal of Marketing, 58, 1-15
- Axelsson, Bjorn and Wynstra, Finn (2000) *Interaction Patterns in Services Exchange – Some Thoughts on the Impact of Different Kinds of Services on Buyer-Supplier Interfaces and Interactions*, Industrial Marketing & Purchasing Conference, Bath, UK (<http://www.impgroup.org/uploads/papers/29.pdf>)
- Coleman, James S. (1974) *Power and the Structure of Society*, New York, W.W. Norton & Company
- Ford, David (1980) *The Development of Buyer-Seller Relationships in Industrial Markets*, European Journal of Marketing, 14 (5/6), 339-353
- Ford, David (1997) *Understanding Business Markets: Interaction, Relationships and Networks, Second Edition*, London, The Dryden Press,
- Ford, D., Hakansson, H., and Johanson, J. (1997) *How Do Companies Interact? in Understanding Business Markets: Interaction, Relationships and Networks*, Ford, David (Ed.) Second Edition; London, The Dryden Press, 55-67
- Ford, David, Gadde, Lars-Erik, Hakansson, Hakan, Lundgren, Anders, Snehota, Ivan, Turnbull, Peter and Wilson, David (1998) *Managing Business Relationships*, Chichester UK, John Wiley & Sons
- Hakansson, H. (1997) *An Interaction Approach*, in *Understanding Business Markets: Interaction, Relationships and Networks*, Ford, David (Ed.) Second Edition; London, The Dryden Press, 3-22
- Hakansson, H., Johanson, J., and Wootz, B. (1976) *Influence Tactics in Buyer-Seller Processes*, Industrial Marketing Management, 4, (6), 319-332
- Matusik, Sharon F. and Hill, Charles, W.L. (1998) *The Utilization of Contingent Work, Knowledge Creation and Competitive Advantage*, Academy of Management Review 23 (4), 680-697
- McKechnie, Donelda S. (2001) *Constructing Service Encounters for Intra-Organisation Buyer-Seller Exchange: Contract Workers in the Distribution Chain*, University of Bradford School of Management, unpublished Ph.D. thesis
- McKechnie, Donelda S. and Hogarth-Scott, Sandra (2003) *Selling to first customers: encounters with contractors*, British Academy of Management Conference Proceedings, Harrogate, UK (forthcoming)

Moller, K.E. (1994) *Interorganizational Marketing Exchange: Metatheoretical Analysis of Current Research Approaches* in Laurent, Gilles, Lillien, Gary L., and Pras Bernard, *Research Traditions in Marketing*, Nowell, Massachusetts, Kluwer Academic Publishers, 347 – 372

Reve, Torger and Stern, Louis W. (1986) *The Relationship between Interorganizational Form, Transaction Climate, and Economic Performance in Vertical Interfirm Dyads* in Pellegrini, Luca and Reddy, Srinivas K. (Eds.) *Marketing Channels, Relationship and Performance*, Lexington, Mass. Lexington Books, 75-102

Turnbull, Peter, Ford, David and Cunningham, Malcolm (1996) *Interaction, relationships and networks in business markets: an evolving perspective*, *Journal of Business & Industrial Marketing*, 11, (3/4), 44-62