

How Should You Act?

Andreas Brekke

The Norwegian School of Management BI
Elias Smiths vei 15, N-1302 Sandvika
Norway
andreas.brekke@bi.no

Abstract

The basis of this paper is unease with the underdeveloped actor layer within the ARA model. The focus on resources and activities hampers an understanding of what actors, or rather interactors, do in business relationships. This paper is proposing a development direction of the actor layer with the aid of a case and insights from theories from anthropology and psychology. If the social element and the identities of companies are factors that distinguish IMP from traditional economics, then human relations should truly be brought in.

Keywords: Actors, interactors, gift exchange, relational theory

Introduction

The role of the actor layer in the ARA-model has deliberately been downplayed. In Snehota and Håkansson's (1995) words this is because: "The resource and activity dimensions confine the actor dimension. We have started our discussion looking at the activity and resource dimensions because it is only too easy to concentrate on the actor dimension." (p. 192) The argument is thus that actors are restricted by the resource constellations and activity patterns that make up the industrial network. In addition they claim that the actors are so well treated elsewhere that it is more interesting to focus on the other layers. Albeit they may have a point or two, there exist reasons to question these arguments. For if it is true that the industrial network approach is a totally different way to depict business activity than the traditional market model, it should also imply that actors and their actions should be described differently. Ford and Håkansson (2005) touches upon these issues when they state that: "Fundamentally, we believe that companies in business markets can't act independently and so any attempt to describe how they do so, or to suggest how they should do must be flawed." Thus, actors are not actors per se, but rather interactors. It is the relational activities that actors perform that constitute the industrial network and it is the relational roles that must be used to describe and/or understand the workings of business reality.

In the seminal work by Snehota and Håkansson (1995), the words commitment, identity, and trust are used to describe the content of the actor layer. These are defined as "processes that constrain and at the same time enable the behaviour of the actors in relation each other. To be committed, to have a certain identity, to be trusted, means that an actor has to comply with some specific rules" (p. 33). They do have a focus on *process* and mutuality, but even though the three words may be commonsensical, they are left more or less undefined and do not give any clear indication on how interaction takes place.

In order to fill the actor layer with content I propose to borrow ideas from relational theory (Fiske, 1992) and economical anthropology (Mauss, 1924/2001). Fiske (1992) developed a framework for understanding social relations. He claims that all "domains and aspects of social relations may be organized by combinations of four elementary models (schemata, rules, or grammars): communal sharing, authority ranking, equality matching, and market pricing" (p. 690). I will try to explain what these elementary models contain and how they can contribute to the understanding of industrial networks.

Mauss (1924/2001) provided several examples of gift giving from "primitive" societies and explains how exchange is related to power and how shifts in power may be the consequence of unequal exchange. Also this model will be explained and related to industrial networks.

Although both these approaches are concerning social relations, there may be several overlapping aspects with business relations. Maybe business relationships are not too different from other social relations and can be described in much the same way? I will start out with an empirical case. The case is describing the most basic industrial network, namely one consisting of three companies where the relationship between two of them affects the relationship between one of those parties and a third party. A kind Swedish company started cooperating with a naïve, but friendly Norwegian company in the 1950s. The relationship was very uneven for the first decades with the Swedes knowing what industrial production was all about, while the Norwegians were novices that had to be taught. Slowly the relationship changed character as the Norwegians gained experience and built expertise. They become more and more on an even level. But all of a sudden a brutal American giant company acquired the kind Swedes. No wonder the Scandinavian relationship was stirred. I will try to show how the two approaches can be used to explain what happened, and happens, in the relationships.

In the end I will discuss whether using the approaches can give a fruitful contribution to the industrial network approach.

The Case

Throughout history, Norwegians have envied the Swedes for their successes in finished products. Cars, planes, furniture, or clothes; nothing is impossible for the Swedes. In Norway, we have never moved further than the raw material stage. Oil, fish, and metals have been the main export articles. Lately, there have been cases of occasional Swedes envying Norwegians. Not only for the large amount of gold medals won in cross-country skiing championships, but also for the high prices of oil and the resulting increase in Norway's GDP.

This case is about a Swedish producer of a finished product, let us call them SweProd and a Norwegian supplier, for simplicity named RawNor. In order to have a true industrial network, although in its simplest form, a third company is introduced. This company is American, hereafter called AmBrut, and has in direct and more indirect ways had an influence on the relationship between SweProd and RawNor.

SweProd started its production in the late 1920s. It was heavily influenced by production techniques developed by AmBrut, but of course translated to Swedish conditions. We can say that SweProd followed "AmBrutism with a human face." The Swedes have always been kind and fair, and it was a main concern for SweProd to be concerned with the well-being of human beings. For those acquiring their output, but also for the people in the production line. RawNor was involved in a totally different industry than SweProd, although they made semi-finished products of materials that SweProd also employed. In the 1950s, SweProd wanted to extend their supplier base. Up to that point, they had used mostly Swedish suppliers. It may be (although as earlier stated the Swedes are kind and fair) that they looked to Norway because they knew Norwegians are naive and easy to fool. Anyways, their eyes fell on RawNor and after a long and intense political game, involving not only the Swedish and Norwegian government but also that of other European countries and USA, they reached a satisfactory deal. The reason for the involvement of high politics was that in those days Norway had quotas on import of SweProd's product and other countries could not see why Sweden in general and SweProd in particular should get higher quotas than their own producers. From this clumsy description of the deal it seems like SweProd got all the milk without paying. They could sell more of their product to Norway by getting a Norwegian producer to supply them with components they needed for a reasonable price. But there were drawbacks. RawNor was not only full of naive Norwegians; the same Norwegians were also ignorant of the requirements that existed when high quality end products should be produced. And in addition to the ignorance, they lacked tools and machinery to do the job properly. SweProd had to build competence and supply machinery to RawNor, and the Swedish state had to buy other Norwegian goods in a repurchase agreement. In the first phase of SweProd and RawNor's relationship, AmBrut had an indirect effect on the relationship. The ideas and even some of the course material SweProd used in the training of the Norwegians came from AmBrut.

Perhaps needless to say, the Norwegians were almost useless in their first attempts on making true industrial products. On RawNor's industrial site, there was a large pile of defect products. The locals called the pile "The SweProd Mountain". We can only imagine the number of grey hairs growing on the heads of the SweProd management and the frustration they must have felt from having to deal with lousy Norwegians. However, after some time the American course material and the knowledge transferred in the repeated visits of Swedish quality inspectors must have sunk into the slow Norwegian brains. After about a decade RawNor had gained almost the total share of supply of their product range to SweProd. All of a sudden, SweProd could send orders even for new products and expect the Norwegians to deliver. Employees in the two companies started to have informal communication lines. Instead of having to revise complete contracts if SweProd needed RawNor to change their product, they could handle it by picking up the phone and deal directly with people they knew by their first name. A conversation between X in SweProd and Y in RawNor could proceed like this:

X picks up his phone and dials Y's number.

Y: "Hello, this is Y"

X: "Hello Y, X here. We have run into a small problem. We had to change the dimensions a little on our product and now your component is not fitting anymore. Do you think you can help us?"

Y: "Of course, X, just give me the new measures and we will develop a new prototype so you can check if it fits. But you understand that we cannot do it completely for free?"

X: "We will cover all your additional expenses and if you can make it in one week we will see that you get an additional bonus."

Y: "That sounds good. Consider it done."

X: "Thank you! That is just excellent. I knew we could trust you. I will give you a ring in a couple of days."

Y: "Thank you too. It is always inspiring for us that you give us challenges and we always feel you treat us good. Good bye."

X: "Good bye and give my regards to your wife."

It is no exaggeration to state that the relationship was full of trust and commitment. SweProd informed RawNor when they wanted to test other suppliers. RawNor had no problems with SweProd searching elsewhere, the employees had built confidence in that no other companies knew SweProd's needs as good as them. And rightly, SweProd almost always ended up going back to RawNor to get their components. Managers in SweProd, on their side, had no problems with RawNor starting to supply other companies in the same industry. They understood that RawNor would only gain experience and competence that later could be valuable to them. RawNor would never compromise on deliveries to SweProd to finish orders for other companies.

This idyllic relationship lasted almost thirty years. Of course there were occasional fights, but both parties always agreed that small misunderstandings should not hamper their fruitful cooperation. From the mid 1990s things changed. No longer was RawNor the obvious choice when SweProd developed new products. The share of RawNor's output going to SweProd decreased. Not only because they started supplying other producers to a larger degree, but also in absolute numbers. So, what intruded the idyll? Did they only grow apart as some couples do? Did their interests part? Or maybe a snake found its way into the Garden of Eden? All these reasons may be true, but here the focus is put on the last.

The snake in this tale did not come with an apple. AmBrut came with its money and bought SweProd. SweProd still kept the name on its products and also some autonomy with regard to production. However, although SweProd had learnt their way of industrial production from AmBrut, the rules shifted. AmBrut did not allow informal connections to supplying companies and wanted documentation of all interaction taking place. In addition, SweProd was told to use AmBrut's suppliers as much as possible. Suddenly the phone calls from SweProd to RawNor were illegal. SweProd had to produce documentation of why they chose RawNor every time it happened. People in RawNor felt a change in the atmosphere. The visits from SweProd were not as friendly anymore. Most of the time they came to ask for lower prices and detect areas where RawNor could improve efficiency. Over the years, RawNor had gotten more and more of the development work regarding their own products from SweProd, but over the night they were instead given drawings to produce from. When they complained and said they could make it more efficient with higher quality at lower costs, Sweprod (or maybe AmBrut) did not listen. Their reply was mostly that if RawNor could not supply what they wanted they would have to find a different supplier. Which they often did, and do.

Is this the sad ending? Well, all three companies have good performance. And no one can tell when the ending, or the beginning for that sake, really is. All we can state is that a relationship was formed, grew strong, and are now largely dissolved. I will not judge whether this is happy or sad. But maybe the case can teach us something about interaction, at least if we try to apply some theoretical approaches on it.

The Gift

"The gift" is the title of a book written by the French anthropologist Marcel Mauss (Mauss 1924/2001). It was first published in 1950. Much of it was, however, written even before World War I. The book is, as the name implies, about exchange of gifts. Mauss collected empirical material in so-called primitive societies, among native Indians in North America and on several islands the Pacific Ocean, which he presents in the first part of the book. He then turns to ancient legal systems and shows how rules of exchange existed in old European, as well as Hindu, law. The book is concentrating on the concept of *potlach*, a North American Indian Term that designates a system for the exchange of gifts. According to Mauss, this is an alternative to the market exchange known to the modern Western society. Although he is not always clear whether it is an alternative, or whether it is the same sort of system with different means, as an example from the book may show:

"Holmes perceptively remarks that the two dialects, Papuan and Melanesian, of the tribes that he encountered at the mouth of the Finke river (Toaripi and Namau) have 'one single term to designate buying and selling, lending and borrowing'. Operations that are 'opposites are expressed by the same word' (Holmes *In Primitive New Guinea*, 1924, p. 294). 'Strictly speaking they did not know gown to borrow and lend in the sense that we employ these terms, but there was always something given in the shape of an honorarium for borrowing, and which was returned when the loan was repaid. These

men have no conception of either selling or borrowing, but nevertheless carry out juridical and economic operations that fulfil the same functions.” (p. 42)

What he says is that the acts of buying and selling appear even if the terms and the concepts familiar to economists are missing. He uses examples to show that there is no such thing as a pure gift, and most social relations require gifts. We can, thus, deduce that there is no such thing as relations free from exchange. All rituals like births, weddings, and funerals, and even friendship, put to life obligations to give, to receive, and to reciprocate. After going through the primitive and ancient societies he shows examples from the contemporary society:

“Moreover, happily we are still somewhat removed from this constant, icy, utilitarian calculation. We need to carry out an analysis in depth, with statistics, as Halbwachs has done for the working classes, of our consumption and expenditure, we of the western middle class. How many needs do we satisfy? And how many inclinations do we not satisfy whose ultimate purpose is not one of utility? How much of his income does or can the rich allocate to his personal utilitarian needs? His expenditure on luxury, on art, on outrageous things, on servants – do not these make him resemble the nobles of former times or the barbarian chiefs whose customs we have described?” (Ibid. p. 99)

Here he distinguishes those objects we acquire in excess of our needs from those, which can be classified as part of the economy, at least economy as a science. He further shows the resemblance between expenditure in our society to that in primitive and ancient societies. We get to understand, even before his final conclusions, that he is not only showing us a picture of these other societies for us to learn the role of exchange there. Instead we realise that these processes are still alive in our own society. The same rules for exchange still apply, which has consequences for whether relationships can stay on equal terms. The rule is that the more you receive without giving back, the more you will end up being dependent on your relation partner. In Mauss' own words:

“In effect, and in reality, not only are useful things given away and rich foods consumed to excess, but one even destroys for the pleasure of destroying. For example, the Tsimshian, Tlingit, and Haïda chiefs throw these copper objects and money into the water. The Kwakiutl chiefs smash them, as do those of tribes allied to them. But the reason for these gifts and frenetic acts of wealth consumption is in no way disinterested, particularly in societies that practise the potlach. Between chiefs and their vassals, between vassals and their tenants, through such gifts a hierarchy is established. To give is to show one's superiority, to be more, to higher in rank, *magister*. To accept without giving in return, or without giving more back, is to become client and servant, to become small, to fall lower (*minister*).” (Ibid. p. 95)

This simple theoretical rule tells how harmful it may be to not reciprocate. The rule does not only apply to individuals, it is just as strong for clans, tribes, or even nations. We should believe that the same could be the case for companies in their relationships. Mauss' final conclusions are rather high flying. He proposes that the society could take care of the *potlach*, that it could distribute wealth and ensure the morality of individuals.

The Gift Applied on the Case

What can a late social anthropologist teach us about economic life and industrial production? According to himself he was not even interested in economy. He was rather interested in showing that there were so many aspects of human life that were non-economical, but still of great importance and involving exchange. As for the industrial network approach, he had a case going with classical market economy.

It is possible to state that he mirrored the industrial network approach (although some decades before this term would give any sense) from the “social side.” If we can say that the industrial network approach allows social life to enter into economical life, Mauss on his side let economical life enter social life. Before Mauss economy, kinship, and religion were treated as totally different categories where activities within one category could be separated from the others. In “The Gift” we learn that these categories get mixed into each other; the obligations to give, to receive, and to reciprocate flow across the borders of these earlier categories.

Mauss starts his book with “a few stanzas from the Havamal, one of the old poems of the Scandinavian Edda” (p. 1) The note to this section reads: “Cassel, in his *Theory of Social Economy*, vol. 2, p. 345, put us on the track of this text. Scandinavian scholars are familiar with this trait the ancient history of their peoples.” (p. 108) As a Scandinavian scholar I can nothing but agree, and cannot resist the temptation to cite one of the stanzas that brings us to the case:

“(41) With weapons and clothes
Friends must give pleasure to one another;
Everyone knows that for himself [through his own experience].
Those who exchange presents with one another
Remains friends the longest
If things turn out successfully” (p. 2)

You are perfectly right to ask how this brings us back to the case. How many weapons and clothes are exchanged between SweProd and RawNor? Not many, we can guess. But they do exchange, and their exchanges go further than just a product being exchanged for money. Not to say that a product being exchanged for money needs to be a simple operation. The quality of the product may exceed that which would be “right” from a pure economical standpoint, and equally with the price. We saw examples of this between SweProd and RawNor. SweProd did a lot to increase RawNor’s competence and their standard of equipment in the first years. From the initial contract it seems like they “gave” much more than they had to. RawNor, after a while, started to supply more than just the product. The technical people got involved in development work, which on several occasions exceeded the expectations from SweProd. In return, RawNor got a better price and also a more secure supplier position. It was never questioned who could do the difficult tasks for SweProd.

However, this exchange at the company level was facilitated by relationships between individuals in the two organisations. They knew each other by first name, and in addition to traditional business dinners, they met at each other’s private houses so even the employees’ families got involved. No-one ever explicitly stated that decisions in the business sphere were made to reciprocate personal dinners, but several said that the intimate knowing of each other made it easier to make phone calls, and harder to refuse to do what the person in the other end asked for. We can only speculate whether this happened because of anxiety of loss of status.

Relational Theory

Fiske (1992) writes “that people are fundamentally sociable – that they generally organize their social life in terms of their relations with other people” (p. 689).¹ This sounds like a statement that could have been made about companies in an IMP conference. Fiske continues by writing that “the [relational] theory postulates that people in all cultures see just four relational models to generate most kinds of social interaction, evaluation, and affect. People construct complex and varied social forms using combinations of these models implemented according to diverse cultural rules. People’s chief social conceptions, concerns, and coordinating criteria, their primary purposes and their principles, are usually derived from the four models; they are the schemata people use to construct and construe relationships. This means that people’s intentions with regard to other people are essentially sociable, and their social goals inherently relational: People interact with others in order to construct and participate in one or another of the four basic types of social relationships.” (p. 689) Again it seems to me that the word ‘people’ could be swapped with the word ‘company’.

The four models, which Fiske refers to, are what he calls *communal sharing*, *authority ranking*, *equality matching*, and *market pricing*. Combinations of these four models (schemata, rules, or grammars) make up most of social relationships.

Communal Sharing (CS)

This type of relationships is based on a sense of shared identity, where the members of a group or dyad treat each other all the same. The acts in the relationship are often characterized by kindness

¹ The content in this chapter is also based on Fiske (1990), Fiske and Tetlock (1997), and Fiske and Haslam (1997)

and altruism. The people in such relationships tend to regard the equivalence class they belong to as better than other, and favour it.

Authority Ranking (AR)

These are “based on a model of asymmetry among people who are linearly ordered along some hierarchical social dimension” (Fiske, 1992, p. 691). They involve at least one authority and one subordinate, where the one higher in rank have certain privileges the other lack, but the subordinate are often entitled protection. Within this linearly ordered structure, higher rank is seen as better.

Equality Matching (EM)

These are “based on a model of even balance and one-for-one correspondence, as in turn taking, egalitarian distributive justice, in-kind reciprocity, tit-for-tat retaliation, eye-for-an-eye revenge, or compensation by equal replacement” (Ibid. p. 691). People in such relationships exchange items and services in an equal number, and equality and having at least as much as their partners are the important factors.

Market Pricing (MP)

These are “based on a model of proportionality in social relationships; people attend to ratios and rates...[The] most prominent examples of interactions governed by market pricing are thus those that are oriented toward prices, wages, commissions, rents, interest rates, tithes and taxes, and all other relationships organized in terms of cost-benefit ratios and *rational* calculations of efficiency or expected utility” (Ibid. p. 692). People involved are often concerned with achieving ratios that are equal to others, but still these relationships seems less involved with comparing the humans involved and rather focus on the efficiency of social exchange.

Of importance is that taboo situations occur when the wrong model is emphasised in a specific situation. If for instance you invite some friends over for dinner (a case of EM or CS), and then ask them to pay afterwards (a case of MP) you have conducted such a taboo. However, taboos are not absolute but rather culturally defined. What counts as an appropriate model in one society, may be alien to other societies. There are several examples of differences between nations, for instance can land not be bought or sold in many countries (for instance in Africa) and the division of land then belongs to other relationships than those of an MP type employed in the Western World. However, in many such countries arranged marriages are common and function as MP relationships, while these are often ideally based on emotions and hence of a CS type in Europe and USA. This does not only mean that differences exist between nations, differences may also occur in different social groupings within one country.

Relational Theory Applied on the Case

So, with the aid of relational theory, is it possible to say something meaningful about the evolution, and the incidents, in the case? I believe so, and I hope to be able to convince you to believe the same. One of the insights from relational theory is that a mix of the four basic models is applied in all social settings. Different settings call for different emphasis, but it is fair to say that not only market pricing is applied in a business relationship.

In the early days of the relationship between SweProd and RawNor, it looked to be predominantly of an AR type². SweProd acted as the authority and RawNor as the subordinate and SweProd “protected” RawNor by teaching them how to do complex industrial production and providing machinery. The actual exchange of product for money was of course done according to market pricing, which it still is. Over the years, more and more elements of equity matching and even communal sharing entered the relationship. RawNor delivered technical solutions they were not even asked for and SweProd gave RawNor assignments even when there were uncertainties whether the latter could deliver.

² The negotiation of the supplier contract involving the companies and the governments in Norway and Sweden was done according to a MP relationship

When AmBrut entered the scene, the relationship between SweProd and RawNor quickly changed character. It is hard to say whether the different nationality of AmBrut meant that their management had different opinions of which taboos that existed in business relationships, but there were examples that could point in such a direction. AmBrut had clear procedures for how exchange should be documented and SweProd was required to send documentation to AmBrut's head quarter. Informal phone calls were violating these procedures. It looked as if AmBrut required a higher degree of MP and AR in their company's relations. The shift of atmosphere and relational models within SweProd and RawNor's relationship made it less advantageous for both parties.

Conclusions

Do not be fooled! This chapter contains no conclusions. I will instead reflect a little on why I have chosen two theories that may be overlapping and on the applicability of the two theoretical approaches within the industrial network approach.

This whole paper is based on a small misunderstanding. I have, from reading various PhD-theses, books, and articles within IMP, been fooled to believe that the interaction model and the 4R-model resides within the network model. I have happily walked around, thinking that the interaction model (of which I have read much too little) formed the basis for the network model and that the 4R-model could be seen as a specification of what I have thought to be the most important layer in the network model, namely the resource layer. When presenting my PhD-proposal I was told that these models, the interaction model, the network model, and the 4R-model are different tools in the industrial network toolbox. That was after I had already submitted this abstract. However, I still feel the actor layer needs a little clarification. Håkansson and Snehota (1995) stated that "everybody knows what actors can do", but do we really? Do we know what they *can* do, and what they *do*, in a network setting based on interaction?

My belief is that, if relationships matter in the business world, social activities involving persons from cooperating companies should be a part of the model. Are dinners, a game of golf, informal phone calls a part of companies' activity chains? If we should believe me, and the way I interpret Mauss, we have to say "yes" loud and clear. All interaction implies obligations to give, to receive, and to reciprocate. Not at the same moment in time, but these obligations are prerequisites for further interaction. So, the social activities you involve your business counterparts in calls for repay. They throw in a little more work than they would if you were a total stranger, a company where no individuals had any identity. Otherwise their status decrease, they become *minister*. This may of course depend on such a thing as initial network position. There may be skewness in a customer-supplier relationship to begin with, as was the case with SweProd and RawNor. RawNor had "to give" to SweProd for quite a long time before their status was equal.

Fiske's relational theory can help us in explicating how different fundamental models come into play in a relationship. It can help us in understanding the development of business relationships and what happens when changes are made within, or in an adjacent, relationship. The focus on different taboos in different settings can be of importance in questions of internationalisation, and also when a company is turning to a different industrial sector.

It can be questioned whether it is necessary to look at both Mauss and Fiske. The latter has included the first in his model, and should perhaps be sufficient to study. My ambition is however not to make a ready-made model of interactors to put into the ARA model, but rather to point to some weaknesses I find in the model and make propositions on where it is possible to find answers. Mauss and Fiske are both occupied with human relations. An occupation I believe is shared by most researchers in the IMP community. Even if we call them business relationships, they are made of human interaction.

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