The Importance of Angry actors

April 2006

Alexandra Waluszewski
Uppsala University
Uppsala STS, Centre for Science and Technology Studies

Håkan Håkansson,
BI Norwegian School of Management

Prologue

In an economic theory landscape dominated by the idea about *Homo economicus;* an economic actor "that is not a particular social character, but a self-absorbed agent occupied by the cynicism (or efficiencies, depending on ones political leaning) of individual gain", (Löving, 2005) the emergence of contrasting pictures is probably a rather natural reaction – at least if one consider witnesses from the empirical world. In fact, a human behaviour that is considered as normality in the traditional economic theory is in another field of social science regarded as a severe disturbance. In psychology a human being that behaves in accordance with "homo economicus" would be labelled as a sign of a psychopathic or narcissistic personality: a person who shows "an antisocial sensibility" and places autonomy and control over interaction and relationships with people in its environment (McWilliams, 1994).

However, in traditional economic thinking everything that cannot be related to actors' price considerations is regarded as representing "irrationalities, frictions, hindrances or 'externalities' to a system that is otherwise efficient" (Gudeman, 2001, p. 6). One of the empirical phenomena that have been banished as "irrationalities" and "hindrances" by

traditional economic thinking is the existence of long-lasting business relationships, which in turn is related to the development of trust between business actors. If people really acted as "homo economicus" business relationships and trust between business actors would never occur. "The problem for a community with self-directed rational maximizers is that they do what they promise to do only if they would do it anyway." (Helgesson, 2005, p. 42)

When starting out from the empirical business world, the existence of long-lasting business relationships and the development of trust and commitment between participating business actors appears more as normality than as an exception. In fact, trust and commitment have been ascribed key roles in the development of "successful" business relationships; these ingredients are regarded as essential in the promotion of smooth cooperation, which in turn is assumed to create desirable outcomes for the involved parties (see e.g. Morgan and Hunt, 1994).

But why do the existence of business relationships that stretches over time, and thus obviously includes some kind of trust and commitment, imply? Is the existence of business relationships just a suitable alternative to the market situation – cooperation instead of competition (Johanson & Mattson 1986, Huemer 1998)? Is trust just a pre-requisite for well-functioning markets and smooth communication and exchange (Helgesson, 2005, Gudeman, 2001)? Or is that conclusion only due to the "reference" – the fact that almost all studies of market exchange share or is a reaction against the traditional market assumptions (Powell 1990, Swedberg 1994)? But if we leave the traditional theoretical assumptions, and start out from the organizational and technological considerations involved in exchange, does the existence of business relationships indicate that these are developed in order to handle far more complicated issues than how to replace the risk of being cheated with trust, commitment and mutuality? Does business relationship indicate that business exchange is about moving in a "rugged" economic landscape (Van de Ven et al 1999)?

In order to discuss this issue we have to start out from the resources (physical as well as organizational) involved in the exchange and how they are seen. If we assume that resources are heterogeneous instead of the classical economic homogeneity assumption (Penrose, 1959, Alchian & Demsetz 1972, Håkansson & Waluszewski 2002) one consequence is that the involved actors will have a number of specific problems in relation to resources – as well as in relation to each other. If the resources are not known, or even not possible to get to know in a

complete sense, there will always be differences in how they are seen as well as used. In those cases business actors will – even if they are engaged in long term exchange – have different opinions and views about these resources. This is true both for resource interfaces that stretches over company borders, as those stretching between business units within a larger company or organization. Thus, in order to create resource constellations that are valuable for each interface, each representative of these is forced to articulate an understanding of its related physical structure and images about it. And this articulation has sometimes to be very convincing.

In this paper it is argued that in order to deal with such processes, trust and commitment are probably only a tiny aspect of a rich spectrum of emotions concerning technological and organisational resources – where conflicting views are more rule than exception. Instead of being processes that reduces the risk of conflicts, interaction implies that actors present their own views of related resources interfaces, i.e. include quite tough confrontations. An interesting question is thus if trust is a phenomenon that reduces conflicts, or an ingredient that allows actors to express conflicting view? Before we discuss how these actors different views of technological and organizational resources underlines the importance of articulation, lets us consider how they can appear in an empirical case. We will take a look at process where an investment in a new technology is discussed within a large company but also between the company and one key customer and one potential equipment supplier.

An actor that needs to be angry

> "SCA's R&D management has to be renewed. What we need is a creative and forceful R&D management, which dares to fight for new solutions." (Sverker-Martin Löf, manager for SCA's pulp mill Östrand).

The manager of SCA Östrand, the company's largest non-integrated producer of pulp, is angry. Not only SCA's R&D unit, but also SCA's general management hesitates about realizing a development project. The idea behind the project is to develop and produce bright, high yield mechanical pulp specially adapted for absorptive hygiene products.[1] Traditionally, absorptive pulp is based on bleached chemical pulp, which is very bright but only have a yield

[1] This method is labelled CTMP, chemi-thermomechanicanical pulp. The development story is thoroughly described in Waluszewski, 1990.

of about 50 percent of the wood insert. The alternative, thermo-mechanical pulp, gives a pulp with high yield but lower brightness and absorptive capacity. SCA Östrands' solution is a combination of these two methods; a chemi-thermomechanical pulp which have a high yield, a high brightness and good absorptive features. According to SCA Östrands manager, the general management actually has no choice. They just have to go for the new investment: a new pulp mill based on the so called CTMP method, located to SCA Östrand.

However, SCA's general management is not convinced, and SCA's R&D management takes no clear standpoint. The weak support from SCA's R&D management triggers the project leaders at Östrand, with Sverker Martin-Löf in the forefront, to confront SCA's general management direct:

> "When SCA's R&D management do not act like a driving force for mills that actually wants to introduce new technology, then we have to take the fight with the general management direct." (Sverker-Martin Löf, manager for SCA's pulp mill Östrand)

Östrands' manager have some, as he regards it, very heavy arguments in relation to SCA's general management:
First, Östrands manager claims, the pulp mill has a large, skilled and devoted customer that really wants the new, high yield absorptive pulp. The also SCA owned hygiene product company Mölnlycke is one of the worlds' largest producers of diaper products, feminine hygiene products and incontinence products. Mölnlycke has since decades been struggling with a difficult supply situation, and really wants a long term commitment with stable, development oriented pulp producer. Although being located to Scandinavia means working in a geographical area were it is close to pulp producers, Mölnlycke have had tough experiences of dealing with suppliers integrated with paper mills, and/or with suppliers that have adapted the production to users in the graphic paper or packaging area. In fact, Mölnlycke have never been able to get a pulp quality specially developed for absorptive products. Instead, Mölnlycke have had to try to create their own solutions in a pulp technology context where a key issue has been to develop products which can *resist* liquids – not to absorb liquids. Mölnlycke's solution has been to work with suppliers that are so small that they as the dominating user can more or less force these to adapt to absorptive applications. This strategy has however proved to be risky; although Mölnlycke have

managed to encourage suppliers to take part in development projects, these small and often and economically weak units have had difficulties to survive in the long run.

Thus, behind Östrand; the presumptive producer of high yield absorptive pulp, stands a customer that is very keen on creating a relation that can secure deliverances of pulps in general – and of pulp specially adapted for absorptive products in particular. And also the project leaders involved in Mölnlycke are upset about the weak support from SCA's R&D and general managers.

> "Besides Östrands' manager, it is only SCA's R&D project leaders that really act as driving forces for the new process. However, despite their deep knowledge, the R&D project leaders are not listened to by the R&D management." (Mölnlycke's consumer divisions R&D manager).

The fact that the project rests on extensive R&D experiences is the second argument towards SCA's general management. Although a CTMP application for absorptive pulp only have been investigated for two years, SCA's R&D project leader have been working with the method for several years, in close interaction with some of SCA's mills for graphic and packaging paper. Mölnlycke's project leaders, on other hand, have been engaged in development of similar combinations of chemical and mechanical pulp methods for absorptive products for more than a decade. SCA's R&D project leaders have, in close interaction with the project leaders at Mölnlycke designed the new pulp process, which when tested in the equipment supplier Sunds Defibrators' pilot plant indicates that Östrand's manager is right. When Mölnlyckes is supplied with test samples' of the new absorptive pulp the reaction is very positive:

> "The test sample reveals improved absorptive capacity to the same or lower cost as the thermomechanical solution". (Mönlycke's industry divisions R&D manager).

That the project includes an engaged equipment supplier is the third argument towards SCA's management. The SCA owned Sunds Defibrator has been involved in development activities concerning the new, CTMP method, both within and outside the SCA context. Within Sunds Defibrator there are also people that even before Östrands engagement have been working

with applications for absorptive products. With a new pilot plant on its ground, Sunds Defibrator is able to produce small quantities of absorptive pulp based on CTMP, which then are tested by Mölnlycke's consumer and industry divisions' production facilities.

The fact that SCA's general management and SCA's R&D management despite the arguments brought forward by the "alliance" between the presumptive producer Östrand, the equipment supplier Sunds Defibrator and the customer Mölnlycke, causes upset reactions:

> "SCA's management is dominated by people with a production perspective, while people with a development perspective have less influence." (Project leader at Mölnlycke).

> "It is the production perspective that colour SCA's general management as well as the R&D management. From the production perspective new ideas and new technology are often considered as disturbances; at least in a short time perspective development projects use to have negative consequences for the production flow and thereby also for the result. That's why managements with a production perspective are hesitating when R&D people, suppliers or customers wants to go for new projects." (SCA Östrands manager)

Other actors that also needs to be angry

SCA's general manager and R&D manager argues that they do certainly not hold back development projects just because they want to freeze the existing production structure – but because they have to balance a number of such processes driven by actors within and outside the company. In fact, SCA's general manager and R&D manager argues that it is the operational units – preferably in alliance with devoted users – that have to take responsibility for driving development issues. All operational units have to fight for the solution that fits them and their customer best:

> "Between the general management perspective and the operational units supplier-customer perspective there is almost always a conflict" (SCA's R&D vice manager).

Thus, the SCA's management and R&D management is not only exposed to angry actors in terms of representatives for absorptive pulp in Mölnlycke – but also for representatives for a

number of other development processes related to the company. In perspective of the general management, to handle a number of angry and unsatisfied business units around them is normality.

However, there are also other reasons for SCA's management to hold back. One reason is that the alliance mounting for absorptive pulp is not so united as it is presented by Östrand. There are also tough discussion within the alliance between the presumptive producer Östrand, its equipment supplier and its customer Mölnlycke. Already after a years trials with adapting the CTMP method for absorptive products, carried out in laboratory and pilot plant scale, Östrand wants to go for a large scale investment. However, both the project leaders within SCA's R&D unit and one of the two divisions involved in Mölnlycke, the consumer division, argues that it is too early. For the Mölnlycke's consumer division, it is of utmost importance that the absorptive products based on the new pulp method have the same or increased brightness compared to the hitherto used thermomechanical method. SCA's R&D people and the consumer division in Mölnlycke push for increased studies of the bleaching process – and an investment in a bleaching tower at Sunds Defibrators' new pilot plant. Despite that the pilot plant is completely new, and can be regarded as a miniature of a production plant for mechanical pulps, it has no bleaching facilities. However, Östrands project leaders do not at all agree, but considers increased bleaching studies as an unnecessary delay of the project.

> "The R&D people drives project with the aim to create increased insights in different phenomena, while the production facility perspective on a project is to achieve a new product, a new process and profitability."

The R&D project leaders and Mölnlycke's consumer division however manages to mobilize support from SCA's R&D management and the equipment supplier Sunds Defibrator. These parties do also come to an agreement to share the investment in the bleaching tower – not least since it can be valuable also for other development projects. When the new tower is taken into use the bleaching process can be carried out outside the pulp refiner, and the hitherto so critical and demanding consumer division at Mölnlycke also seems to be satisfied.

> "Several of the test samples are excellent" (Project leader, Mölnlycke's consumer division).

However, not even this positive outcome results in an investment decision. The reason for SCA's manager to continue to hold back is a discussion about the future of the presumptive producer of the new pulp, the Östrand pulp mill. Before a decision about if and where to invest in a new mill for absorptive pulp can be taken, the SCA management has to decide whether to invest in a total modernisation of the Östrand mill – or to close it down. The Östrand mill has an old technology, which means that is suffer from high energy and label costs. The alternatives: a close down or a total modernisation, have both severe consequences. Within Östrand, where the arguments for a modernisation of natural reasons are strongest, it is claimed that a modern, chemical pulp mill is a must within SCA's industrial structure in the mid Sweden region. While the timber of highest quality is used in the company's saw mill, the spruce wood in mechanical pulp processes for graphic products, Östrand can use all kinds of wood of lower quality in its chemical pulp process. A close down should not only hit Östrands internal and external users of bleached chemical pulp, but also affect the utilisation balance of wood within SCA. Thus, SCA's manager is confronted with several technical and economical dimensions related to the future of Östrand. But a decision has to be made.

> "We have been hesitating about the profitability, but the factors speaking for a renewal outweigh the disadvantages" (SCA's CEO).

The decision to modernize Östrand includes a close down of a smaller sister mill for chemical pulp, which means that the supply of wood chips that this unit has used can be activated in a new way: In an investment in a CTMP mill producing absorptive pulp for Mölnlycke, Östrands manager argues. The sister mill does not disagree – since it s share its management with Östrand.

However, still no investment decision. But when another of Sweden's largest pulp producers, Södra, decides to close down one of its old, small and worn out mills for production of mechanical pulp, the alliance Östrand, Defibrator and Mölnlycke get another strong argument in the debate about an investment in a mill for absorptive pulps. Södra's decision means that Mölnlycke will be without supplier of thermomechanical absorptive pulp within a few months, although the producer has promised to produce a large stock before the close down. With this decision at hand, it is not only the project leaders within Mölnlycke's consumer and industry division that takes a clear standpoint for an SCA investment in absorptive pulp. For the first time, Mölnlyckes management starts to give the project its whole-hearted support.

The project leader within Mölnlyckes consumer and industry divisions do not know whether Mölnlycke's management is convinced about the advantages with the new method in terms of absorptive capacity and brightness, but for the first time their own management argues that an investment in Östrand is the best way to secure the supply of pulp.

> "Without Mölnlycke as customer we would never have taken the decision to invest in CTMP for absorptive products in Östrand". (SCA's CEO).

The decision to invest in a CTMP mill is taken and a new, long-lasting debate is initiated: who is going to pay for the investment? SCA's managment argues that Mölnlycke has to share the investment cost, but Mölnlycke's management argues that SCA have to treat Mölnlycke in the same way as they do with any external customer, and thus take responsibility for any investment by themselves.

25 years after the investment decision the CTMP mill is alive and in good healh; both the production quantity and the production programme have been expanded. Mölnlycke is still a key customer, but 80% of the production volume is used by external customers, and about 50% of the production is used for other applications that absorptive pulp.

Was it then the right decision? Or is the chosen solution just one out of a large number of possible ones – where some might have been better and some worse than the chosen one. No one knows and it is also impossible to make any estimate. The solution as such does exist and the discussions about how to develop it and in what directions, still goes on. The technological and organizational solutions are discussed and used as arguments in relation to new solutions coming up. And new angry actors engage in the process – expressing different view about how the existing technological and organizational solutions work and how they can be changed. When the advantages of the pulp are presented by the producer, however, nothing of these conflicting views appears:

> "CTMP Star is used for the production of tissue products and board. CTMP Star is a high-bulk pulp with low shive content and excellent absorption properties. Thanks to the pulp's extremely low odor- and taste transference levels, it is also ideal for the production of liquid packaging board.

> CTMP Star Fluff is characterized by its excellent absorption properties. These enable the pulp to be used very successfully in the production of hygiene articles, such as incontinence protection, feminine hygiene and diaper products. CTMP Star Fluff also offers high bulk and good network strength.
>
> CTMP Star Birch is a newly developed chemi-thermomechanical pulp with unique bulk and strength properties. By using SCA's patented High Temperature (HT) technology, it is also possible to produce grades with extra high freeness and bulk combined with low shive and fines content. Thanks to the high bulk and high brightness, it is a pulp suitable to many applications, for example board, tissue and printing & writing paper production." (www.pulp.sca.com)

Epilogue

The short empirical picture illustrates the phenomena of "angry actors" and outlines some of the reasons for their existence. One important reason for actors to be "angry" is that they have different views of and different ambitions concerning the use of single resources.

If these differences only would indicate lack of knowledge there is a simple solution: Get the facts right and the best solution will be outlined. Thus, in such case the angriness would just be sign of lack of information. However, our empirical material indicates something else. If it is impossible to find the right facts, i.e. if what is right depends on how the resources are seen and used, then the emotions are important driving forces in order to create solutions that are perceived as "right" for the main part of the actors that are related to these interfaces. Thus, emotions can be regarded as important ingredients in the creation of efficient resource utilization, since they are forces that step by step can breed the conditions that appear as acceptable not only from some actors' point of view, but also from perspective of those related to the supply and use of certain solution. We suggest an actor model based on four types of differences views that appear in our empirical study:

- There are differences in how *existing* physical interfaces are used (there are differences in how companies work with and combine contemporary resources)
- There are differences in requirement for *changes* in interfaces (there are differences in how companies try to change the using of the resources)

- There are differences in the *images* of how earlier used interfaces have worked (there are obvious differences in how each participating actor have interpreted the use and combinations of the resources earlier)
- There are differences in the *images* of how contemporary interfaces are working (there are obvious differences in how companies interpret the interfaces between contemporary resources)

These differences are important ingredients in the development of new resource interfaces, and they can not easily be solved. Instead they have to be worked with in a number of ways including changes in organizations, in technology and/or in perceptions about these resource interfaces. To deal with these differences seem to require emotional intensity; i.e. “angry actors”. As economic researchers we have to take this into consideration.

References

Alchian, A.A. & Demsetz, H. (1972). Production, information costs and economic organization. *American Economic Review*, 62, 777-95.

Dwyer, R.F., Schurr, P.H., Ho, S., 1987, Developing Buyer-Seller Relationships, *Journal of Marketing*, 51, (April), 11-27

Gudeman, S. (2001). *The Anthropology of Economy: Community, Market, and Culture.* Oxford: Blackwell Publishing.

Håkansson, H., Waluszewski, A., (2002*) Managing Technological Development. IKEA, the environment and technology*, London: Routledge

Håkansson, H., Snehota, I., (1995) *Developing Relationships in Business Networks*, London: Routledge

Håkansson, H., (ed.), 1982, *International Marketing and Purchasing of Industrial Goods. An Interaction Approach.* London: Wiley

Håkansson, H., Snehota, I., (1998) The Burden of Relationships or Who's next in Naude, P., Turnbull, P., (eds) *Network Dynamics in International Marketing,* Oxford: Elsevier

Helgesson, G., (2005). Rationality in Economiy: An Interdisciplinary Dispute. In *Peopled Economies. Conversations with Stephen Gudeman*. Löving, S. ed. Stockholm: Almqvist & Wiksell

Huemer, L., 1998, *Trust in Business Relations. Economic logic or social interaction?* Umeå: Borea Förlag

Johanson, J., Mattsson, L-G., 1986, Interorganizational Relations in Industrial Systems.: A Network Approach compared with a Transaction Cost Approach. *International Studies of Management Organisation.* Vol.17, No. 1, pp 34-48

Lundgren, A. (1995) *Technological Innovation and Network Evolution,* London:Routledge.

Löving, S. ed (2005) *Peopled Economies. Conversations with Stephen Gudeman*. Stockholm: Almqvist & Wiksell

McWilliams, N. (1994) *Psychoanalytic Diagnosis.* New York: The Guilford Press

Penrose, E., 1959, *The Theory of the Growth of the Firm*. New York: Oxford University Press

Powell, W. W. (1990). Neither Market nor Hierarchy: Network Forms of Organization. In B. M. Staw, & L. L. Cummings, *Research in Organizational Behavior*, vol. 12. Greenwich, CT: JAI Press.

Swedberg, R., 1994, Markets as social structures in N.J. Smelsers and R. Swedbergs (eds) *The Handbook of Economic Sociology*, Princeton NJ: Princeton University Press

Van der Ven, A., Polley, D., Garud, R., Venkataraman, S., 1999, *The Innovation Journey*. New York and Oxford: Oxford University Press

Waluszewski, A., (1990) *Framväxten av en ny mekansik massateknik* (The emergence of a new mechanical pulp technology) . Doctorial thesis no 40. Department of Business Studies, Uppsala University