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Perceptions on change in Business Networks: Norwegian Salmon Exporters and Japanese Importers

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Abstract

This paper analyses the changing nature of how Norwegian suppliers of salmon distribute their produce to Japan, and how the relationships involved are maintained, developed, and changed. The research methodology is based on semi-structured interviews with five of the major seafood exporters in Norway and seven large seafood importers in Japan. There are essentially two distribution systems, with the traditional network being under significant pressure to change. The age-old approach is via traditional multi-layered routes, where the fish markets in Tokyo, Osaka and Fukuoka play an important role. This system is rigid, and has many middlemen. The newer system may take various shapes, but the common denominator is that it consists of fewer, but larger, actors and is seen to be challenging the traditional system.

The paper analyses the way in which this complex system is dynamically changing. It is argued that changes in an actor's perceptions may be a key factor explaining changes at both the dyadic and the network level. The paper concludes by raising a number of important issues regarding the relationship between perceptions and change in networks that need further attention.

Keywords: Seafood, channels of distribution, actor's perceptions, network dynamics, change

Introduction

As the development of the interaction approach and the network approach has been developed through numerous studies, an increasing interest has been taken into how networks change and develop. As opposed to general strategy and marketing distribution literature which looks at forces of change in a company's marketing environment, the network approach suggest that change is transmitted through the network via connected relationships. As such, companies strive for change (or stability for that matter) and are exposed to change in an ever-continuing process.

Although change has been dealt with in a number of theoretical contributions, relatively few models have been suggested to explain how changes occur in networks. Particularly, the role of actor's perceptions on change is relatively unexplored. So far, change has been seen in terms of changes in actor bonds, activity links and resource ties. But changes in perceptions may also have an impact on links, ties and bonds. We therefore propose a model which attempts to explain network change in terms of level and intensity. The logic of this model also suggest that changes within a company, ie. a change in perceptions, may have an impact on the wider dyad and network.

We will use this model to analyse some of the changes identified in our case study, a study showing how Norwegian suppliers and Japanese customers are trying to come to terms with the changing nature of Japanese distribution.

The changing nature of Japanese distribution

Japan has long been considered as a difficult market to penetrate, mainly because of its rigid distribution systems. Japanese distribution is traditionally characterised by "locked-up" relationships between channel members in terms of vertical integration based on ownership (called *keiretsus*) or long-established relationships where duties, trust and obligations are important factors (Min 1995) This system has been described as confusing and complex with labyrinthine distribution structures and practices (Shimaguchi and Lazer 1979) and inefficient and archaic. (Lazer et al. 1995; Rajaratnam and McKinney 1995)

Japanese distribution has historically been controlled by wholesalers. According to Min (1995), Japanese wholesalers traditionally exerted control of distribution channels through "vertical integration, financial linkage and reciprocity dealings (p. 23)". It is not uncommon to find four levels of wholesalers such as trading companies (*sogo soshas*), primary wholesalers, secondary wholesalers and even tertiary wholesalers. In 1998, wholesaler sales volumes in Japan was estimated to be 3.1 times total retail volume, while US wholesaler sales volume equaled retail volume (Min, 1995). Maruyama (2005) reports that 41,9 percent of Japanese wholesalers purchased their merchandise from other wholesalers, whereas only 24,8 percent of US trade originated from other wholesalers.

Distribution relationships in Japan are characterized by close personal relationships that emphasise long-term stability over short-term transactional advantage. Traditional distribution systems such as the fish market have often been criticised for inefficiency. "Coming under much criticism are the many layers of wholesalers who stand between producers and consumers. These tiers of enterprises include vast numbers of presumably inefficient small scale (often family-run) wholesale and retail outlets. By the same token, the apparently more efficient large scale specialty stores, supermarkets, and department stores are relatively few." (Bestor, 2004, p. 35). Bestor, who has written perhaps the most comprehensive analysis of the central wholesale markets in Japan (from an anthropological point of view), describes how both foreign and domestic critics view Japanese distribution channels as economically inefficient.

Further, vertical integration of the market is characterized by the appearance of *keiretsus*, "groups of companies organized into quite formal hierarchies based on interlocking stock ownership, exchange of information, exchanges of personnel, coordinating fiscal and marketing strategies, preferential trading practices among group members" (Bestor, 2004, p.

200). Keiretsus are criticized for acting as a barrier to entry to the Japanese market, stifling competition and squeezing out independent operations (Gerlach 1992).

Japanese retailing has traditionally been characterised by a large number of small retailers. One explanation is the Japanese consumer behaviour. Customers dislike spending time wandering around large supermarkets, preferring to visit local stores to get fresh produce in small quantities. Average spending is quite low, and Japanese consumers typically make four to five shopping trips per week. Other factors like low car ownership, small sized home fridges and freezers adds to this (Planet Retail 2006).

One perspective is that Japan's retail sector is still highly fragmented, with the top five players holding a market share of less than 20% (Planet Retail 2006), in stark contrast to European countries like Norway where the top four retail chains hold a 95% market share. However, the marketplace is changing towards fewer, but larger retailers. Indeed, the number of small-scale retailers has reduced considerably in recent years (Lohtia et al. 1999; Lohtia and Subramaniam 2000). Evidence of this is the relaxation of The Large Scale Retail Store Law which traditionally limited the opening and expansion of retail stores with floor space exceeding 55 square meters which has, in recent, bee eased (Min, 1995).

The changes in retailing have seen concomitant changes elsewhere. Most notably, wholesaler dominance is changing. Maruyama (2005) argues that this is due to changes in the retail structure, the introduction of information technology such as point of sales data management, and new distribution strategies such as supply chain management. At the manufacturing level, Japan has traditionally been characterised by few, large manufacturers selling to a large number of small companies over whom they exert considerable control (Lohtia et al. 1999). However, with the appreciation of the YEN and wage increases in the early 1990s, the use of foreign suppliers became more common, thereby increasing competition between among Japanese manufacturers and so reducing their supplier power, and tipping the balance in favour of the retailers.

The retailers clearly favour the trend towards more direct distribution of seafood. Bestor (2004) argues that the growth of new channels is directly related to developments in transport and communication, particularly refrigerated trucks, and the expansion of supermarket chains, franchised restaurants and fast-food shops that require large quantities of standardised products. Nevertheless, a supermarket chain cannot develop its own supply channels for products available in small amounts. Hence, it is likely to rely on the fish market distribution system rather than own distribution channels.

It is within the context of these various changes that this work was undertaken. We now proceed to discuss the literature that represents a theoretical framework within which to analyse such changes.

Understanding change

There are multiple perspectives from which to analyse change. We come across change in strategy literature (Pettigrew 1992; Pettigrew 1987; Porter 1985), in terms of organizational change or social change (Van De Ven and Poole 1995) or innovation and industrial dynamics (Schumpeter 1954). Literature on marketing channels and supply chain management also describe change (el Ansary et al., 2006, Cousins and Lamming, 2007). While we accept the relevance of those academic lenses, for the purpose of this paper, we explore how change has been dealt with mainly in the industrial networks literature. We proceed to use a number of these frameworks in order to show how they might interpret changes taking place.

The industrial network approach

Over the last 10 years, the concept of viewing business relationships not as separate entities, but as an interconnected and interdependent network of relationships, has received increasing attention (e.g. Håkansson and Snehota, 1995; Ford et al, 2002). From this

perspective, business relationships are not seen as a marketing channel, a supply chain or a value chain (the typical unit of analysis to date), but as a network of connected relationships. The unit of analysis now becomes the relationship, and it is within a relationship that companies adapt through interaction, the interaction in turn making them interdependent. We may study interdependence in terms of how activities are tied together, how resources are utilised, and how strong the bonds are between the actors (Håkansson and Snehota 1995). According to Halinen (1999: 785) "the network approach emphasises the interdependence of actors, activities and resources as a major force. It also stresses the intentionality of individual actors over environmental influence". A number of studies within this research tradition has looked at these three dimensions: Changes in resource ties (Baraldi et al. 2001; Håkansson and Waluszewski 2002), activity links (Fredriksson and Gadde 2005; Gadde 2004; Gadde and Håkansson 2001) and actor bonds (Gadde and Håkansson 2001; Håkansson and Snehota 1995).

Change and stability

Change can only be meaningfully interpreted within the context of stability. As (Håkansson and Snehota 1995) argue, stability and change are an inherent duality of networks. One the one hand there are always forces that will try to change established actor bonds, resource ties and activity patterns, but on the other hand there are forces that will try to move towards stability. As Lundgren (1992) argues, stability is a prerequisite for change. But, at the same time, stability is an inherent feature of a network (Halinen, et al. 1999), who argue that that there are several reasons for this: technical and resource dependencies cause rigidity in the network; increasing market concentration, high switching costs and risk-reducing strategies that favour stability (Turnbull et al. 1996).

The "environment": endogenous vs. exogenous change

Three assumptions are generally made about how environmental conditions influence companies: First, the environment is faceless, atomistic and beyond the influence or control of the organisation, so organisations must identify and exploit opportunities by adapting to it. Second, a firm must reallocate and adapt its internal resources be efficient in an ever-changing competitive environment. Third, management must interpret these changing environmental conditions and formulate and interpret a new pattern of activities. Håkansson and Snehota (1989) and also Lundgren (1992) criticise these assumptions. In the network approach, the environment is not a faceless entity, but consists of identifiable parties and unique counterparts. Indeed, "the (inter)dependence of an organisation on other entities makes if difficult to disconnect the organisation from its network, since a business organisation without its interactive environment loses its identity" (Håkansson and Snehota , 1989:261). They suggest using the term "context" rather than "environment," where the context is enacted and created by the organisation itself. Hence, rather than analysing how a company react to changes in some external environment, it is more relevant to analyse how it handles interdependencies and interconnectedness in the larger context. Given this viewpoint, the network perspective on change implies that all changes are endogenous.

Change in terms of other dimensions

We briefly examine some of the other perspectives on change. Lundgren (1992) argues that change in a network may be continuous (happening within established structures), or discontinuous (change processes are loosely connected to the existing network structure). This typology of changes can be dealt with by applying the concepts of *coordination* and *mobilisation*. Continuous change is related to coordination of activities, whereas discontinuous change relates to mobilisation of resources. Lundgren (1992) argues that coordination of activities will always influence the resource structure and provide further developments in the network. New activity cycles must be proceeded by changes in the industrial infrastructure. Mobilisation processes will therefore always run counter to coordination processes. Hence, "coordination contributes to the evolution of the network. Mobilisation disturbs and disrupts the coordinated activities and will not necessarily have a positive effect on the development in networks" (p. 163). Mobilisation is more likely to occur during unstable periods and is a complicated and exacting process.

Håkansson (1992) argues that opposing tendencies may be found regarding the combining of resources and activities. One the one hand, actors tend to elaborate on existing activity

pattern and resource structures, referred to as *structuring* - a continuous process of utilising resources and activities, created through interactions between individual companies. On the other hand, *heterogenisation* is the tendency to find new ways of combining activities and resources. New resource combinations and activity patterns are often in conflict with established ones, implying an element of conflict, power and control.

Hertz (1992) looks at changes in networks in terms of *integration* of industrial systems, denoting "a movement towards, rather than an arrival at, a position. From this definition it follows that integration is a process of change. Integrating flows of activities between organisations will change the degree to which the actors are interdependent in the system (p. 107). The reason actors integrate is to become more efficient through "reduced redundancy and duplication in the resources used to fulfil a certain activity chain, to prevent duplication of activities as well as to achieve mobilisation of resources" (p. 108). Referring to the Mattson (1987) she argues that integration may be seen in three dimensions: institutional integration, concerning the formal-legal power of organisations such as ownership, contracts, etc.; decision integration which is concerned with who controls what in the relationship; and finally execution integration which refers to the flow of activities executed. She argues that informal bonds are as important as formal bonds. Formal ties are not discussed as much in the network perspective, but informal ties are important determinants for integration.

Conclusion: the "Yin-Yang" of networks

This duality of change has been noted by several studies. On the one hand, networks are opening, on the other hand they are closing. These are parallel processes: Håkansson and Lundgren (1992) talk about coalescence and dissemination of networks; Mattson (1987) discusses expansion and contraction; Cook (1982) talks about extension and consolidation; Hertz (1996) in her study uses the term joining and splitting of nets to describe the change processes. This duality can be seen in light of the earlier discussion of stability and change in the network. There are forces driving changes in networks, and there are forces resisting change, moving towards stability. All networks have both forces of destruction and creativity within them. They counterbalance each other. The one is a prerequisite for the other such as stability is the prerequisite for change. A relationship without these two forces will be dead; it will lack the creativity it needs to constantly develop.

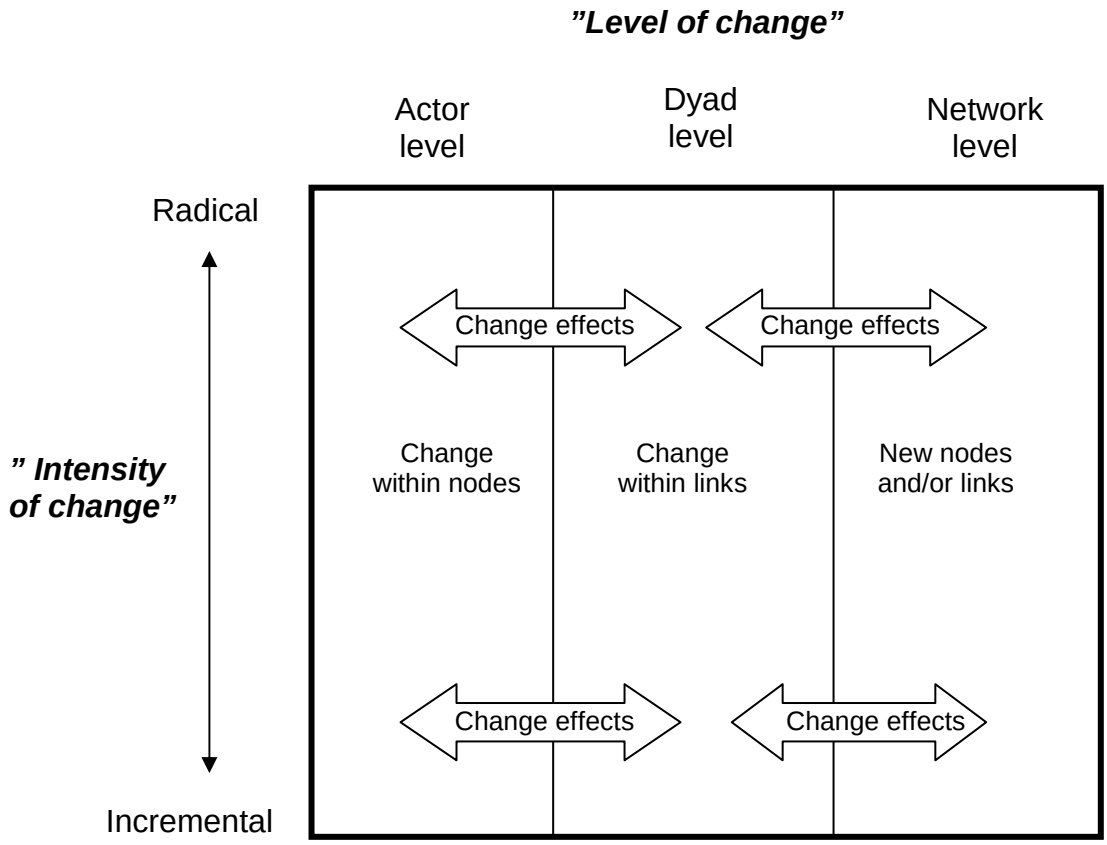
If we accept the importance of change within networks, we need to discuss different kinds of change. As argued earlier, change has usually been seen as an evolutionary process (Halinen, 1999). Easton argues that "networks are stable, but not static. The continuing process of interaction between firms are stabilised since they take place within the context of existing relationships … Evolution is the main mode; revolution is possible but unusual. Network inertia and interdependencies slow and shape change". (1992:135)

However, stable periods are broken by radical changes. Radical changes means that actor bonds, resource ties and activities are fundamentally altered or dissolved, and new relationships are established. Halinen et al. (1999) use the punctuated-equilibrium model of change to explain radical changes, where stable periods are broken by sudden radical or revolutionary periods, whereby changes do not occur by incremental steps, but by frame-breaking change (Gersick, 1991).

To see changes in terms of radical and incremental may pose some limitations, in the sense that it is always somewhere in between. We may rather talk a continuum where incremental or radical changes are two extremes. Similarly, to view change in terms of confined and connected is also limited. In networks, change is both confined and connected. It is difficult to draw the boundary on what influences what. Is change within the dyad, ie. confined change, a result of a change in another dyad, ie. connected change? Is the terms confined and connected representative in this respect? And this model of change does not take into account situations where change within the actors organisation has effect on the wider network. We therefore propose the following conceptual model for analysing change in business networks, looking at both the intensity and level of change.

This model suggests that change can be analysed in terms of its intensity (radical vs. incremental) and its level (actor, dyad or network level). Change at one level may transmit to

another level, and vice versa. For instance, the employment of a new purchasing manager as a new purchasing strategy (change on actor level/within the node) may lead to a different activity patterns (more or less bought) and resources (different goods purchased, new combination of resources). This change at dyad level may in turn lead to the dissemination of this relationship (if the supplier cannot meet new price quotes) and the establishing of new links (new supplier chosen) or a parallel process (fading out one supplier and increased activities with new one). The new supplier has other suppliers, and hence the change transcends though the network.



We will analyse some of the changes identified in the case in terms of this model. Here is a presentation of our case study.

Methodology and Sample

Our data is derived from semi-structured interviews with five large Norwegian seafood exporters and seven major Japanese importers. The Norwegian sample was identified by crosschecking information from preliminary discussions with key actors in the seafood industry and official Norwegian export statistics. Our data analysis indicate that we have identified the main actors: Our sample holds 69% share of salmon exports to Japan. The Japanese sample was identified by information given during the interviews with the Norwegian suppliers. Each of the five exporters were asked to name their main customers in Japan, and these companies were approached based on this information. Finally, we ended up with seven respondents in Japan out of approximately 20 large importers. The interviews were undertaken in May and June 2006 in Norway and October 2006 in Japan. We have also used official statistics and trade reports to build our case. To preserve the anonymity of our respondents, all company names have been altered.

The focal actors: Norwegian exporters

	Type of company 1)	**Share of N. exports to Japan**	**Key respondent**
Global Seafood	Farmer, processor, exporter	13%	Sales director + Key account manager, Japan
Rocky Coast	Farmer, processor, exporter	17%	Trade and development manager + KAM
Norway Salmon	Farmer, processor, exporter	18%	Team manager, Asia
Viking Seafood	Farmer, processor, exporter	13%	Sales unit manager, fresh dept. Asia
Ocean Trading	Trader, processor, exporter	8%	Sales manager frozen dept. + sales manager

1) The words "Supplier " and "Exporter "are used interchangeably in this paper. Likewise " Customer" and "Importer" are used interchangeably

Companies in our sample are all ranked among the 10 larges seafood exporters in Norway (Norsk Fiskerinæring 2006). Turnover ranges from 1.5 billion NOK in 2005 (Ocean Trading) to over 4 billion NOK (Norway Salmon). and we interviewed key personnel in each organisation. These companies are vertically integrated multinationals with farming, processing and trading operations around the world. Ocean Trading is classified as a "trader" as it does not have its own farming facilities, but cooperates closely with a number of farmers that sell the majority of their fish to Ocean Trading. Ocean Trading has recently established its own processing plant.

The focal actors: Japanese importers

Company	**Type of company**	**Key respondent**
Karatsu Co. Ltd	Importer, wholesaler, trader	General Manager, int. trade and marketing dept.
GMC Inc.	Importer, trader (*sogo sosha*)	Manager, seafood dept.
Japan Corporation	Importer, trader (*sogo sosha*)	Manager of marine products
Tokyo Fisheries Corp. Corp.	Importer, wholesaler, trader	Deputy general manager, overseas department
Nippon Trading	Importer, trader	President
Kato Marine Products	Importer, trader, processor	President
Global Seafood Japan	Importer, trader, sales subsidiary	Managing director

All companies in the sample are licensed importers of seafood to Japan, it being illegal to import seafood to Japan without a license. Hence, imports are restricted to a small number of companies. From our discussions, there appear to be about 20 importers of salmon in Japan and we have interviewed 7 of them. Several of the companies in the sample are large corporations and important actors in the Japanese seafood business.

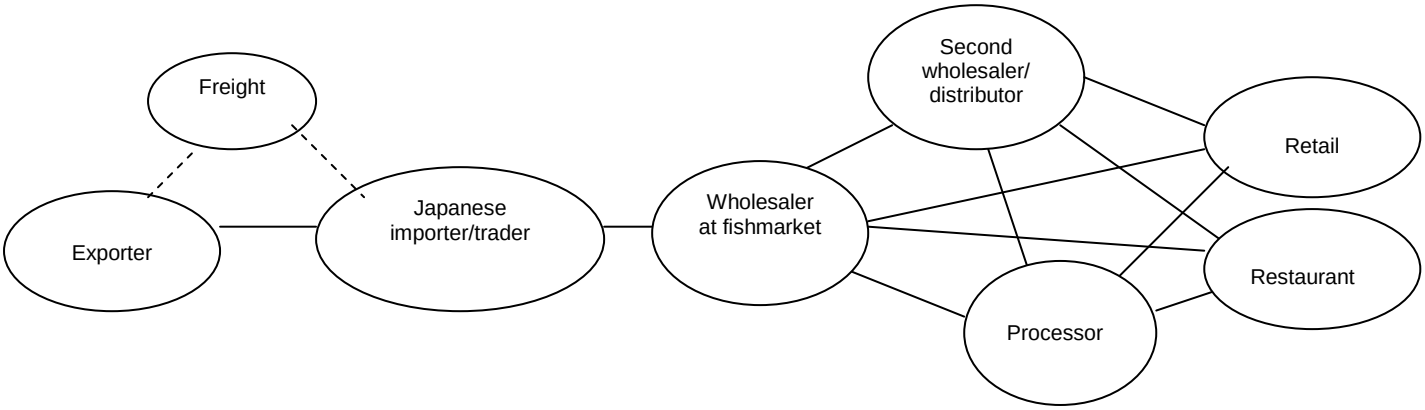
The traditional fish market system

In Japan seafood has traditionally been distributed through the various fish markets where Tokyo, Osaka and Fukuoka are the main actors. In addition there are a range of 40 medium sized fish markets. In all, there are around 800 wholesale fish markets around Japan (Bestor, 2004). The Tsukiji market in Tokyo is of special interest as it is regarded as the largest fish market in the world. From our interviews, it appears that 80-90% of all salmon in Japan is sold through the traditional distribution system, shown in Figure 1. The fish markets have traditions dating back hundreds of years. For instance, the Tsukiji market in Tokyo is believed to be established in 1590 (Bestor 2004). Markets are well organised and have been granted privileges by the authorities. Nationwide, there are 54 central wholesale markets and more than 700 regional wholesale markets divided into production region markets (upstream) and consumption regional markets (downstream). Central wholesale markets are governmental operated.

The Tsukiji market handles approximately 2400 tons of fish worth about US$20m every day, one third of the fish is fresh, one third is frozen and one third is dried and in other forms. It features more than 450 species of fish, and represents around 15% of Japan's tonnage of fresh and frozen fish. Around 14 000 people work at the market every day, and it attracts

some 35 000 buyers every day. There are 7 authorised wholesalers or auction houses at Tsukiji, of which 5 which handle all kinds of seafood, and 2 specialising in dried and salted products. These are licensed wholesalers receiving their permission from the Ministry of Agriculture, Forestry and Fisheries, on a fixed commission of 5.5%. In total, there are 98 auction houses/seafood wholesale markets in Japan. With our focus on the larger players, we will now attempt to analyse the interdependence of the actors in the traditional fish market system in terms of the actor bonds, resource ties and activity links.

Fig. 1: Traditional seafood distribution network



Actor bonds and relationship duration

The relationships in general are long-lasting, with an average of between 13 years (according to the Japanese respondents) and 16 years (Norwegian respondents). The majority of these were initiated by the Japanese importers. Karatsu Co. Ltd, for instance, had a relationship with suppliers that predated the fish farming industry in Norway, buying Greenland shrimps and kipling from Norwegian suppliers, and seeking Atlantic salmon when the demand grew in Japan. Kato Marine Products used to sell wild fresh salmon from Norway to French restaurants in Japan. When the demand for farmed salmon increased, they started to buy from Norway. Japan Corporation tells a similar story; they approached Norwegian suppliers 15-20 years ago because they wanted access to their resources.

Kato Marine Products is commonly regarded as the company which introduced fresh salmon to the Japanese market. At first, raw salmon was not seen as suitable for s*ushi/sashimi* purposes in Japan. Until the beginning of the 1980s, fresh salmon was caught wild, and often contained parasites. Farmed salmon, being free of parasites, was more suitable for sushi. At first, Japanese cooks working for French restaurants were introduced to using fresh Atlantic salmon. Some of these chefs subsequently branched out to establish their own restaurants. These were at the top end of the market, and being innovative and looking for new ways for preparing sushi, they started to experiment with raw salmon, placing orders with Kato Marine Products and building on their existing relationship for other types of seafood. Kato Marine Products in turn approached their Norwegian suppliers for fresh Atlantic salmon. The trend spread to other exclusive restaurants, hotels and top sushi outlets. These in turn approached their Japanese importers, which again placed orders at a growing number of Norwegian suppliers that were attracted to the industry. Then more downscale restaurants started to use it. Media started to take interest and promoted the trend. “Little by little”, Kato Marine Products says, “the trend penetrated through the system. This was not our aim, but it happened”.

This has been achieved with fairly low levels of investment in actor bonds: the relationships are characterised by a relatively small number of people in Norway handling the daily business activities with the Japanese. Viking Seafood has only one representative taking care of daily business activities, whereas Norway Salmon employs a department of 6-7 people in

Norway. Their representation in Japan is varied; two companies have established their own import company, one has a small liaison office, and two have no representation in Japan.

Number of actors

The exporters sell to a limited amount of Japanese customers. In recent years, there has been a restructuring of the Japanese importers. Previously, the industry was characterised by a large number of importers and traders. Due to the continuing decline in the Japanese economy throughout the 1990s, several importers went bankrupt or simply withdrew from the industry, leaving a small number of more stable importers. Exporters explained that they deliberately reduced the number of customers. Wanting to invest in relationships with fewer customers, rather than having several smaller customers who "shop around" for the best price quotes. The importers painted a similar picture, limiting their purchases to a small number of dedicated Norwegian suppliers. Global Seafood only buys from Global Seafood Norway, whereas Tokyo Fisheries Corp. buys from 4-5 major suppliers:

In spite of this trend, the importers argued that they bought from several suppliers, to avoid over-dependence on one supplier, and also needing to secure a stable supply. As one respondent said, "an importer needs to balance the supply for fresh salmon by securing supplies from more than one supplier. What if there are delays and we have sold a quantity of salmon to one of our customers? We need to be sure that we can deliver. Therefore, we need to have more than one supplier of salmon. We must have a balance and in this way reduce risk." Price is also a vital issue. It is common to get price quotes from several exporters. One respondent argued that "we get better terms and price quotes if we have more than one supplier. For instance, when *X* raised their price, we switched to *Y*." Suppliers are believed to specialise in their respective areas: "There is a difference between the farmers, and we have selected them based on their specialities. *X* for instance is best on trout. *Y* is best on salmon. And we are discussing a lot with *Z*. They are trying to adjust to our requests", one respondent claims.

Relationship structure: contracts, negotiations and terms

Fixed and written contracts are rare, with interactions being based mainly on trust and experience from long and well-established business relationships. Price is usually based on the spot market, negotiated on a weekly basis. Volumes are generally stable, an average order being 2-3 tons. Importers closely monitor what they think they can sell before placing the order with the Norwegian exporters. If they get less fish than anticipated, they are in trouble with their customers, and therefore it is important to guarantee stable supplies. At the same time, if they sell less fish than anticipated, they have to sell the remaining volumes at a loss. So this is a tight game. As one respondent puts it: "We always know the correct volume when we order. This is based on our anticipation of the market. We have confidence that we can sell what we have ordered. Tuesday we order for arrival the following Sunday. This is sold on Monday, Tuesday and Wednesday. On Friday we order for the arrival on Wednesday, and this is sold on Thursday Friday and Saturday. This ensures a steady supply of salmon during the week. We buy between 300 – 500 boxes a week. An average order is 280 boxes of salmon."

Actors are in daily contact with each other, or at least on a weekly basis, but formal meetings are rare. Some will meet every other month, sometimes only once of twice a year. Meetings take place in Japan and Norway.

Relationship atmosphere

The atmosphere in the relationships investigated is marked by commitment, trust, adaptability and dependency. The Japanese are viewed as stable and loyal, dedicated to maintaining the relationship. Cultural differences appear to have less impact. Several exporters claim that the role of cultural differences between Norway and Japan are overemphasised. Many of the customers have been to Europe, having studied or worked there. Japan is becoming increasingly "westernised". Likewise, Norwegian exporters have gone to great lengths to learn and adapt to Japanese culture. There are apparent differences, but their role is decreasing. Norwegian exporters place great importance on having a close personal relationship with their customers and they frequently meet in person. Likewise, they are invited to the homes of their

customers. This was unusual some years ago. The Japanese are often invited to Norway, and are well taken care of.

Similarly, the Norwegian suppliers are regarded as trustworthy and dependable. One importer stated that “They know the fish business industry well, better than others. They are an honest company. We trust them, both the company and the people who work there. We need to be open with them and share information.”. Another tells a similar story: “We have contact about twice a week. They also have an office here that we are in contact with. We have a good relationship with them. We trust them. We trust the company but also our contact person. We can rely on him. All in all, we have to take information from him for granted. It is all a matter of trust. Personal relationship is very important”. And in the words of a third customer: “We keep a good relationship with them. We trust them. They are our friends.”

Clearly, these business relationships are long-lasting and the actors trust each other. Unwritten contracts are an example of this. They are also committed to the relationship. Although the importers talk to several exporters, their negotiations are limited to the biggest suppliers. The relationships seem close in terms of daily business contacts, but distant in terms of regular meetings.

The contact that the exporters have with the traditional Japanese seafood distribution system stops at the importer. Suppliers are dependent on their relationship with the importer to get access to the Japanese market. Rarely do exporters negotiate terms with more distant actors in the network. The exporters have only limited presence in Japan in terms of offices; the relationships are handled from their offices in Norway. Two exporters have set up their own import companies, but they are still dependent on the Japanese wholesalers in order to get access to the Japanese markets. Thus, one may argue that in this traditional distribution network, the actor bonds are strong between the exporters and the importers, and weaker between the exporters and more distant actors in the network.

Activity links

Fresh salmon is shipped to Japan by air on a weekly basis, while frozen salmon is shipped in containers by sea. Salmon is packed in crates bearing the exporter’s name, or the importer’s own name if requested. Norway Salmon was the first Norwegian company to start weekly-chartered flights to Tokyo. Today they send off 2 shipments per week, solely with Norway Salmon products, while Viking Seafood has shipment 4 times per week, possibly sharing the hold space with other, competing, suppliers – a practice that they established 8 years ago. The use of airfreight is the result of the demand for fresher salmon, but is a costly arrangement. The low volumes currently sold have prompted some exporters to question the future of this practice.

In Japan, the fish arrives at markets such as the Tsukiji, traditionally by sea but increasingly by air. Fish is sold by auction between 05:00 and 07:00 from wholesalers to intermediate wholesalers. After the auction, the intermediate wholesalers transport the seafood to their stalls in the market and lay it out for sale. There are about 3800 intermediate wholesalers in Japan, each licensed to operate in the market. Roughly 900 intermediate wholesalers operate in Tsukiji, often small-family sized companies.

The seafood is then sold on to fish dealers, supermarkets, retail chains and restaurants, and to licensed buyers that sell to the categories mentioned above. Then, the fish is transported to the various destinations by small trucks, lorries and even mopeds. This ensures that the fish is available at the counter or at the restaurant table later in the morning or in the afternoon. On average 36 000 such buyers come to Tsukiji every day. According to Bestor (2004, p. 189) “The major transaction at Tsukiji takes place between intermediate wholesalers and their customers including retail fishmongers, sushi chefs, restaurateurs, secondary wholesalers, peddlers, caterers and lunch-box makers”. Retailers and supermarkets may buy the fish directly from the wholesalers if they are licensed as authorized buyers by the authorities. In this case, the fish will not end up at the market stalls of the intermediate wholesalers, but is shipped directly to the customers by truck.

It appears that although there is a clear chain of activities from the salmon being caught in the Norwegian fjords to its arrival on the counter of a Japanese retail store or sushi restaurant, there are few close links between the exporters and the importers. The salmon is merely "handed over" to the next actor in the activity chain, and none of the activities studied seem to be linked or interconnected in more established patterns.

Key resource employed: Fresh salmon

Salmon is of course the main resource in these business relationships, and we will limit our analysis of resource ties to look at how this resource is employed. Whole fish form the majority of the volume, since Japanese customers prefer to process the fish themselves. This is done either by chefs in restaurants or at the fish department in supermarkets. Exported processed products like filets are rare. One reason for this is that fish looses some of its freshness when it has been cut and filleted. Although the distribution system is time-efficient, the processed salmon will be of poorer quality when arriving at the supermarket or the restaurant compared to whole fish. Another reason is that the price of processed fish is higher than Japanese customers are currently willing. Exporters also argue that the Japanese are very quality conscientious, and prefer to process the fish themselves. Instigated by customers, the Norwegian seafood industry is currently undertaking research into methods to keep the fish fresher after slaughtering. This method is called "PreRigo", and aims to process the fish before Rigor Mortis appears.

Resource substitution – frozen vs. fresh salmon

Statistics show (Statistics Norway 2006) that fresh salmon accounts for the largest share of salmon exports to Japan. This was verified by our interviews, which also indicated that Norwegian salmon and trout exports to Japan are declining. This is in contrast to the current trend in Norwegian seafood exports; total Norwegian exports to the world market have increased from 2004 to 2005, and four companies in our sample have increased their turnover since 2004. If we compare Japanese import statistics from Norway and Chile (Norway's main competitor in Japan), one reason for the decline in Norwegian exports to Japan is the increased import of Chilean trout and *coho*, or pacific salmon. This is a close substitute for Atlantic salmon in Japan, and is becoming more popular. Trout is also a close substitute to salmon. According to our respondents, Japanese customers, especially younger people, can hardly tell the difference in taste and colour between salmon and trout. In fact, one exporter mentioned an end-user (a restaurant) that sold Chilean trout as Norwegian salmon.

Chile cannot compete on fresh salmon by air because of the geographical distance to the Japanese market. A substitute to fresh Norwegian salmon is salmon from Canada. Imports of Atlantic salmon from Canada increased from 291 tons in 2004 to 2.064 in 2005. But, this is still relatively modest compared to Norway's volume of 17.563 in 2005. But Canada is gaining market share in Japan.

Norwegian frozen trout has traditionally been a popular product in Japan, but today Norwegian exporters find it increasingly difficult to compete with lower priced Chilean trout. Export statistics show a clear support for this: Norwegian frozen trout dropped from 14.698 to 9.556 from 2004 to 2005. This has led several producers to cease producing trout altogether (eg. Viking Seafood), and others are producing in modest quantities (eg. Rocky Coast, Norway Salmon). Frozen Chilean trout is exported to Japan by ship in containers. As such, the geographical distance from Chile to Japan does not represent an obstacle. Chilean cost of production is considerably lower than in Norway, and the industry has less governmental regulations. Hence, Chilean trout it is more competitive than Norwegian trout in Japan. Norwegian exports of frozen salmon are also in decline. As with trout, Norwegian salmon cannot compete with the price of Chilean frozen salmon.

Two important issues concerning resource ties can be identified here. First, importers have cooperated with the exporters to ensure a very efficient transportation system to bring the fish to market. This system was originally instigated by the importers in their demand for fresh fish. Second, new production techniques, such as "PreRigo" has also been undertaken in cooperation with the Japanese customers. This is an example of resource ties in terms of

skills and competence. But regarding fresh salmon, there appears to be few resource ties in terms of how it is handled and processed by the actors.

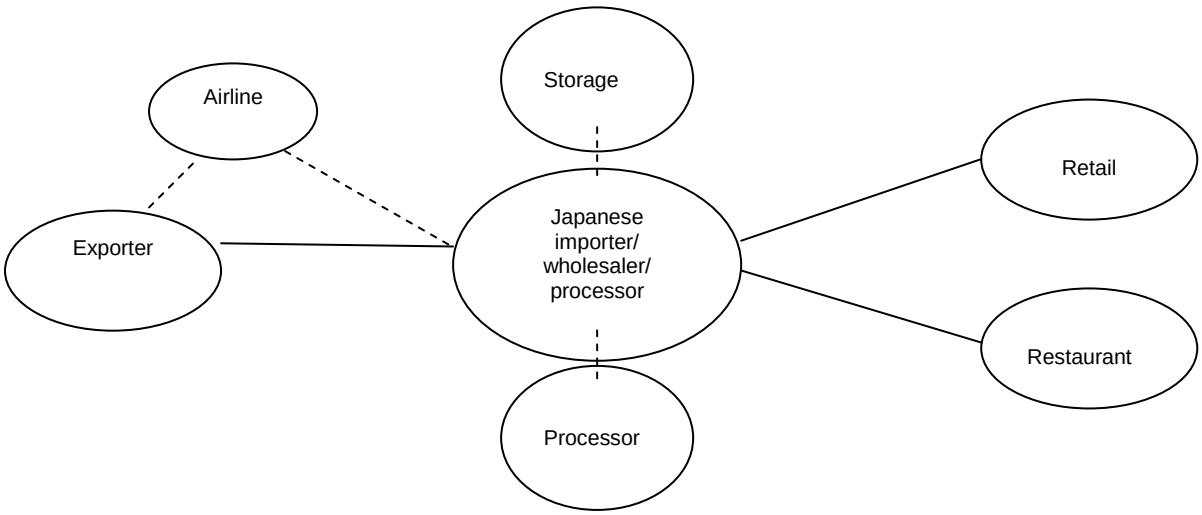
The current system is experiencing pressure to change due to both exchange rate fluctuations and alternative distribution systems that are more attractive. Emerging markets in Asia (China, Malaysia, Indonesia) and the Middle East (Iran) are gaining more attention, and established markets in Europe gain higher profits. European distribution channels are less costly to manage as they consist of fewer layers. In Europe, salmon is imported by an importer/wholesaler which ships directly to the retailers. Sometimes the distribution chain is even shorter: Norwegian suppliers sell directly to buying centres and headquarters of large retail chains. Transportation costs are also lower in Europe. Fresh salmon is usually shipped by road in cooling containers. Hence, the retail price in Europe is considerable lower than in Japan at the moment.

The direct or alternative distribution system

The exporters all described efforts to establish alternative to the traditional system in Japan. Global Seafood operates mainly in the traditional system, whereas Rocky Coast has managed to sell most of its salmon though the direct system. The three other exporters sell the majority of their fish though the traditional system, but the direct system is increasing in importance. Our respondents believed this development to be driven by the retail and/or restaurant chains. They estimate that 10-20% of salmon in Japan is distributed outside the traditional system, but that this is growing. “These changes are initiated by the large supermarket chains. They have fixed contracts with their suppliers and buy large volumes. These have a lot of power. They always watch the market price and the contract price, and determine what is the most profitable for them”, one Japanese respondent claimed.

The main explanation for this trend is to reduce margins. The buying power of the Japanese consumer has declined, and other actors in the network are trying to find ways to cut cost. The retailers in particular put pressure on their suppliers (authorised wholesalers and intermediate wholesalers) to obtain lower prices. One importer described the situation as follows: “The main reason for wanting to shortcut the fishmarket is price. We all have advantages of a more direct system of distribution. Both retailers and importers have advantages of reducing the layers”. Another importer explained that “the Japanese market is highly structured and highly inefficient. It has several structures. A lot of people want to make money on the salmon.

Fig. 2: The direct or alternative system network



Actor bonds, activity links and resource ties in the direct system

In the direct system the fish is still bought by an importer, who is now often a processor, or has acquired such production resources from independent processors. The fish is now processed and repacked depending on the needs of the customer, and is sold directly to retail and/or restaurant chains, and the system consequently consists of fewer layers. These importers have a much more strategic perspective on their contracts with the Norwegian suppliers, and now we find written contracts and fixed price margins. Contact and cooperation between the parties seems closer and more intense. Norway Salmon, for instance, enjoys a close relationship with their direct importers. Norway Salmon has invested in training of customer's staff in a range of areas like food safety, product range, trends in the seafood market, etc. Cooperation also includes joint visits to end users, like the buying centre of supermarkets and retail chains. Norway Salmon invests 80% of their time in Japan on end users.

It seems that companies need to be of some critical size to engage in direct distribution. To be able to buy directly, the retailer must have storage facilities. Small retailers do not have such capacity. Further, fresh salmon needs to be sold immediately after purchase, and the retailer needs to be of some size to level off the demand, and ensure that he can sell all salmon that he has acquired. In some cases, retailers have to resell their unsold salmon to the fish market at bargain prices. As one importer puts it: "Not all retail stores can do this. They are dependent on having storage facilities. What if they do not sell all the quantities they are buying? For a lot of stores the fishmarket is an easier option. In some cases, the importer must sell unsold quantities on the fish market at a lower price before the quality deteriorates. So the fishmarket has a role even in a more direct distribution system".

Another argues "you need to be of some size to balance the risk. In the traditional market, the price is floating (not much, though). But in the direct system, prices are fixed by contract. Who is going to take the risk? If you have fixed your selling price to a level above what you pay for, you will loose money. But it is difficult to sell at fixed prices and we therefore remain in the free market. Here we are less likely to loose. The traditional system has some obvious advantages."

Further, as one argues: "Not many companies can do this. You have to have capability and you have to be systematic. Only the major retailers can achieve this. Itoyo Kado is the other main retailer in Japan, and they are in the same process as we are. It is all to do with risk: If the supermarket buys a quantity and cannot sell it, what should they do with the rest of the fish? He cannot throw it away. He can sell it to the fish market, but then the fish is old, and the price is low. We have to find some way of going about this risk".

Relationship atmosphere and tensions

The shift to a more direct system creates tension between the Norwegian exporters and actors in the traditional system. These importers believe that their suppliers underestimate the efficiency and the role of the fish market. They argue that the Norwegians fail to understand that the retail structure is different in Japan to European countries. As one importer argued "The Norwegians think they can sell directly to the supermarket chains, but this is problematic. The chains will only buy in small quantities; they are dependent on other fish species." Another puts it this way: "In Europe, the producers sell directly to retailers. This does not happen here. We still have to rely on middlemen. Norwegians do not get this picture. They think that if you come here with enough money, you can buy everything. It does not work that way". And in the words of another importer: "How well do the Norwegians know the Japanese distribution system? They will never find out. It is too complicated. They don't know where the fish is going. About 80% of the salmon imports are run through the fish market. We cannot change the system."

The actors therefore try to convince their Norwegian partners of the importance of this traditional system by a number of arguments. First, they argue that the fish market with its many layers of small actors enables the retailer and restaurants a variety of species freshly delivered in a stable environment. Japanese seafood cuisine features a number of small courses and consumers are accustomed to a variety of species. Supermarkets and restaurants must therefore supply a variety of seafood in their product range. This means that

the actors tend to buy small quantities of a large number of species, not the other way as is the case in European cuisine. As one respondent argued “look at a seafood plate in Norway. It contains only one fish! But in Japan, it might contain 3, 5 or even 10 species”. Another puts it this way: “The fish market will never be obsolete, because there are a large number of small restaurants and supermarkets that rely on the it in order to have a varied assortment, but in small numbers. These are too small to buy directly from the importers, and can’t take the risk of being left with fish they cannot sell”.

The actors in the traditional system also defend it in terms of payment and risk reduction. Licensed wholesalers are bound to take on the fish that is sold through the market. As one of the wholesalers says: ”We are traditionally obliged to buy the fish, we are called receivers. This is how the fish market works”. Fish sold at the fish market means instant settlements, perhaps only 2-3 days delay. Retailers buying directly will sometimes wait 2-3 months before the accounts are settled. One importer puts it this way: “Why can’t supermarkets buy directly from the trading house? It’s a risky business. The supermarket needs to have a varied product range, and the processor ensures this. He also takes quality risk. The supermarket can return any number of salmon if they are dissatisfied. Pay is also important. It may take some time before the supermarket gets paid from the trading house. Buying from the processors ensures fast payment.” Another supplier argues that: “Payment is also an issue: If you sell to a wholesaler, you get paid in 1-2 days. If you sell to a retailer, you sometimes have to wait 60 days to get paid”.

These actors do not perceive the fish market as cost-ineffective, because fish sold at the fish market is always sold on spot. Direct distribution to retailers and restaurants are often fixed. Sometimes the fish market will pay a higher price than a fixed contract with a retailer. The actors are closely monitoring this situation: “Some retailers jump the system if they can gain lower prices. And they switch to the fishmarket when the price there is lower. Price is a determining factor when switching between the two systems. In this respect the fish market has a function”. Another supplier states that “I guess we sell 50/50 to the traditional distribution system and direct sales. The big question influencing which channel to choose is profit. Sometimes you get more profit from selling at the fish market, sometimes you get more by selling directly”. One supplier argues that “supermarkets switch to domestic seafood when the price of Norwegian salmon becomes too high. Suppliers that have fixed price contracts with their suppliers must sell at a loss when the price increases. That is another reason for the justification of the fish market. On the fish market, price is floating.”

Company size is also an important factor. Smaller importers are dependent on the fish market because they do not have the capacity to engage in direct sales: “We see that there are other actors who jump the system, but we don’t have the capacity to do it”, says one importer. Another agrees: “Why we sell through the fishmarkets? Retailers buy in small quantities. They sometimes buy 1-2 boxes. You need a big organisation and a big number of people if you are going to sell to enough retailers to make a profit. Therefore, we are dependent on distributors. We cannot survive on small numbers”.

Japanese critics of the traditional system

But the actors operating in the direct system are more critical of the traditional fish market. “The main reason for wanting to shortcut the fishmarket is price”, one importer says. “We all have advantages of a more direct system of distribution. Both the retailer and the importers have advantages of reducing the layers”. During our interview, this importer drew the traditional distribution flow of salmon and calculated the price margins of each layer. The price increased from 700 yen per kilo which is his buying price, to 1555 yen per kilo which is the retail price. One importer explains: “The Japanese market is highly structured and highly inefficient. It has several structures. A lot of people want to make money on the salmon. The logistics of the invoice and the logistics of the salmon do not always represent the same route“. Another argues “these changes are initiated by the large supermarket chains. They have fixed contracts with their suppliers and buy large volumes. These have a lot of power. They always watch the market price and the contract price, and determine what is the most profitable for them”.

Traceability is believed to be better with direct distribution. There is a growing concern of food safety in Japan, and it is important for both consumers and retailers to know where the fish comes from. One respondent says that “at present, many customers are trying to omit the fish market. We are trying to set up an alternative distribution network. Our customers want to know where the fish comes from: previously, on the fish market, they did not always know what they bought. Now they know. But this is somewhat difficult and not everyone can do it”.

Similarly, one importer claims that “the role of the fishmarket is changing because there is too much distance from the importer to the end user. The fish sold there is of poorer quality and traceability is difficult. The retail chains are very dependant on quality. It is very much the retailer and the supermarket chains that are pushing here. They have a lot of power. Over the past ten years direct distribution has gained share. But the main volume will still be sold in the fish market”.

Diminishing supplier attention

Another change is the diminished attention the Japanese market is getting from the Norwegian exporters. Given the growth in markets like China, Russia, the Middle East and South-East Asia with their relatively higher purchasing power, Norwegian exporters are paying them more attention. This also creates tension. The Japanese believe that Norwegian salmon may find itself in an irrecoverable position if exporters continue to neglect their market and leave it to Chilean and Canadian suppliers. Their salmon is improving in quality, offering stable volumes at competitive prices. For example, GMC Inc

. reported that they can shift to frozen salmon from Chile which in their mind is a good substitute for Norwegian fresh salmon: “At the time, Japan is loosing buying power. People cannot afford high prices, so the suppliers look elsewhere. Japanese customers prefer Norwegian salmon, but the price is too high at the moment. The supermarket purchasers therefore get their salmon from Chile, Canada and Russia. Even if Japanese customers prefer Norwegian salmon it is the retailer that chooses. Most salmon sold at supermarkets is sold for *kerimi* purpose (ie. cuts). Norwegian and Chilean salmon therefore becomes substitutes.”

For importers such as Tokyo Fisheries Corp., Nippon Trading Inc. and Kato Marine Products who deal mainly in fresh salmon, the situation is pessimistic. In their view, the lack of Norwegian salmon on the Japanese market represents a big problem: “For the time being”, one argued, “there is a shortage of Norwegian salmon, and Norwegian exporters are looking elsewhere to more developing markets. Imports have declined rapidly recent years. We are switching to Canadian salmon, but the stores are accustomed to Norwegian salmon. So this is not so easy. The Canadians have a seasonal production of salmon. Most of their production is wild fish. If we are to maintain the good relationships with our customers who want Norwegian salmon, the Norwegian’s lack of dedication to the Japanese market is a major concern for us at the moment…”

Nippon Trading reports a similar story: ”There is a growing demand for fish in other countries. And this raises the price of fish. The Japanese economy is still weak, and it will take some time to raise the price to a stable level. Hence, Norwegian fish is very expensive on the Japanese market at the moment. We can shift, but it is difficult to change country of origin. We have to keep the same origin and price on a steady supply. We have made contact with Canada, but this is limited. Canadian salmon is also becoming more expensive, but is still less expensive than Norwegian salmon.”

Some even mistrust their partners, raising concerns over the fluctuating Norwegian production costs, which in their view affects the price. They do not understand why suppliers cannot guarantee stable prices due to the fact that all factors of production are known in farming. As one argued, “at the moment, Canadian salmon is favoured to Norwegian salmon because of price. The market price for Japanese farmed fish is stable, but the Norwegian salmon price is fluctuating too much. Why is this so? We ask our importers, but they argue that the cost of production is fluctuating.” They are aware that Norwegian exporters are

making large sums of money. One respondent says “a main controversy with the Norwegians is that they charge a very high profit. We know the cost of production, and we know that they are making a lot of money. So how come they cannot reduce the price to us? They make a profit above 700 yen per kilo. The price from Norway used to be over 1200. It has come down to 1000 now, but it’s still high. So why can’t they sell to us? They are earning huge profits on this.”

Resource change from fresh to frozen salmon

Tensions in the actor bonds asked described above have an impact on the resource ties as new resource ties are created. One way for importers to reduce costs is to switch to frozen salmon which is less expensive and has unlimited storage capacity. It is easy to regulate supply as the demand fluctuates, thereby reducing risk. As one importer, dealing mainly with frozen salmon, argued, “we do not deal in fresh fish. Fresh fish requires a shorter time period and involves more people. It is easier to deal with frozen fish. The distribution chain is shorter and less costly. The number of large supermarkets is growing, and this distribution channel is growing. But the supermarkets need to be of some size to do this. The fish market is becoming obsolete in this respect. It represents the old way of doing things.” Another importer reinforces this picture: “You need to be of some size to deal with frozen salmon. I don’t want to go into the frozen business”, he says, “that’s for the big guys”.

It thus appears that the ability to switch to frozen products is a determining factor in how the actors cope with the changes in seafood distribution. Companies who have the possibility to switch to frozen salmon due to their resource capabilities remain more positive about adapting to direct distribution. But for companies dealing in fresh salmon, they are somewhat stuck with the fish market. As one importer of fresh salmon says: “The future of the fish market? Its power will be reduced, but it will not at all perish. We cannot get totally rid of the wholesalers. They have a very good distribution flow. They have good logistics and have developed a specialised system.”

Analysing change

We will now attempt to analyse some of the changes evident from this case in term of the model suggested earlier.

The reduced attention which the Japanese market is receiving from the Norwegian exporters, as these suppliers attempt to strengthen their ties to other networks, is an apparent change. In terms of our model, this can be seen as a change at the network level (dissemination of existing bonds and creating new bonds with other actors), which in turn imposes a change at the dyad level in terms of changed actor bonds (frustration, tension, conflict and mistrust) and also changed resource ties (a switch from fresh to frozen salmon). These changes in actor bonds and resource ties at dyad level impose further changes at other network levels as the relationship with Norwegian exporters are weakened and ties to Chilean and Canadian exporters are strengthened.

The change from traditional to direct distribution in Japan involves change at network level, where Norwegian exporters develop relationships with different types of Japanese importers, i.e. those with new resources combinations such as processing facilities and storage capacity. This again imposes changes at the dyad level by creating new activity links (joint visits to end users such as retailers and restaurants), and new resource ties (more intense skills training and development of customers staff). The increased flow of information, here represented by improved traceability, is an example of another change in resources ties in the direct system.

The change in actors bonds in terms of relationship atmosphere is also important to notice. It seems that as long as there has been some stability in the system, i.e. affordable prices and stable supply, conflict and tension are hidden in the traditional system. But the downturn in Japanese buying power and the retailers’ push towards a more effective market structure (a change at network level) has released some of the tension hidden in these relationships. The respondents, both Norwegian and Japanese, spoke of relationship atmosphere in rather harmonious terms until recently, but when probed on this issue, tensions and conflict

emerged. Actors in the traditional system seemingly defend the fish market in terms of efficiency and diversity. As much as this case is concerned with a changing distribution structure, it is also a case of a system resisting change. The forces resisting change are the same forces trying to move the system towards stability, as we discussed in the previous literature review.

Perhaps the most interesting aspect of these changes is the role that perceptions play. Clearly the Norwegian exporters perceive the Japanese traditional distribution system as inefficient and long-winded and some Japanese importers share this picture. But there are alternative views of reality. According to other Japanese respondents, the system works very well indeed. But it is the Norwegian exporter's perceptions of the system and its inefficient response to changes in the macro-economic environment, such as reduced Japanese buying power and increasing salmon prices, which prompts these actors to find new suppliers or business partners and employ new resource combinations. Hence, in terms of the model, a change at node level (change in perceptions) leads to a change in dyad level (new resource ties, and activity patterns) and subsequently changes at network level (new actors approached and relationship to existing actors are diminished or terminated). Similarly, the Japanese importers perceptions of their supplier's diminished attention to their market, and their efforts to short-cut the traditional distribution pattern, leads to new resource ties (such as switching to frozen instead of fresh salmon and new processing techniques) and influence the actor bonds (increased tension and conflict). In turn this leads to changes in the network (relationship with new suppliers in Chile and Canada are strengthened).

It is thus the perception of change, rather than the change itself, that has an effect on dyads and networks. In our case, several statements suggest that the actor's interpretation of changes in the macro-environment is the basis for their actions in their relationships. This effect has been noted by several studies. Salmi, in her study of Finnish companies coping with economic changes in the Soviet Union, found that "the fundamental and unique change forces relating to the transformation of an economic system were channelled through the interorganizational relations which the focal company maintained. The company perceived these change forces as a stream of events in its business relations, and some although not all of the events were considered critical and led to radical change in the company's relations." (Halinen, et al. 1999, p. 788).

Here, we can make an important observation; Halinen et al. (1999) propose that it is the perception of events rather than events themselves that lead to change. They conclude that "the mental process of enactment is proposed to be a key explanation for both stability and change in networks. Depending on the perceptions of individuals -- how they view the business context and its interdependencies, and possibilities to achieve their business goals in this context -- some events are considered critical and requiring prompt action from the company, while others are perceived as minor, allowing inertia to come to the fore. (p. 791). They call this enacted reality. Reality is constructed and acted upon by business actors. This social constructivism theory (Berger and Luckmann 1967) has been suggested as an explanation for social action. Hence, "the mental process of enactment can be regarded as a key explanation for stability and change in networks (Halinen et al, 1999, p. 786).

The relationship between perception and change is also discussed by Lundgren (1992) who suggests that an actor's perceived uncertainty is a prerequisite for change: "Stability in the network will reduce the actor's perceived uncertainty and thereby increase the propensity to participate in change activities" (p. 148). Håkansson and Snehota argue that "the different and contrasting perceptions of the [activity links] are at the origin of some changes" (1995, p. 272) Hertz states that "…The perceptions of integration might cause greater effects that otherwise might be expected from the actual change" (*1992:121). Håkansson (1992:130) argues that "the network is shaped though interactions but these in turn take place in accordance with the perceptions of the network held by individual companies".

Similar arguments are also found in other research streams, like strategy and marketing channel literature. According to Guiltinan (1974) for instance, it is not the market forces in themselves that represent the change, but the actor's perception of it. This is also discussed

by Achrol et al. (1983) who argued that organizations do not perceive the environment as such, but they enact one.

Conclusion

Actors' perceptions of change, or their perceptions of events leading to change, may be an explanation for the changes that take place in networks. This way of interpreting change has received relatively little attention in the literature. The studies and streams of research that we have discussed above suggest that perceptions may have an important impact on change. But this needs to be analysed in further detail. The nature of perceptions and the type of change must be looked into: For instance, are there some perceptions that lead to particular types of changes? Are the perceptions of dominant actors more likely to cause changes than those of others? What if there are conflicting perceptions? Which perceptions are likely to "win"? Does it need to be some kind of alignment of perceptions for changes to appear? In such a case, is change in network really a "battle of ideas"? These types of questions need more attention than what has been so far. Indeed, Halinen (1999:780) states that "while there is increasing interest in the dynamics of business networks, we still know very little about how networks change and the underlying forces behind that change."

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