Work-in-progress paper submitted to the 24th Annual IMP Conference
Thursday 4th September – Saturday 6th September 2008 in Uppsala

Rumours, Speculations and Uncertainty in Business Networks: A Result of Lacking Communication

-- A Case Study from the Swedish Dotcom Crash

Jeanette Fors

Uppsala University
Department of Business Studies
Box 513; SE-751 20 UPPSALA
SWEDEN
jeanette.fors@fek.uu.se

Abstract

This paper investigates the role of communicating organizational change to surrounding network members. Results from a case study from the Swedish dotcom crash show that communication with external actors help organizations undergoing organizational change to achieve desired responses and avoid unwanted reactions. The lack of external change communication creates a frightening situation characterized by uncertainty, anxiety and reliance on rumours and speculations.

Keywords: External change communication, network reactions, uncertainty/rumours/speculations, and organizational change.

Work-in-progress paper submitted to the 24th Annual IMP Conference
Thursday 4th September – Saturday 6th September 2008 in Uppsala

Rumours, Speculations and Uncertainty in Business Networks: A Result of Lacking Communication

-- A Case Study from the Swedish Dotcom Crash

Abstract

This paper investigates the role of communicating organizational change to surrounding network members. Results from a case study from the Swedish dotcom crash show that communication with external actors help organizations undergoing organizational change to achieve desired responses and avoid unwanted reactions. The lack of external change communication creates a frightening situation characterized by uncertainty, anxiety and reliance on rumours and speculations.

Keywords: External change communication, network reactions, uncertainty/rumours/speculations, and organizational change.

1. Introduction

Mergers, acquisitions, bankruptcies, diversifications of market offers and streamlinings are some of the most important changes to organizations and are therefore studied within multiple disciplines and from varying perspectives. These events have been looked into mainly from the angle of the directly involved companies themselves; companies' organizational fit, M&As as strategic change, company cultures, diversifications as a way to expand on the market, streamlinings as a necessity for organizational survival etc. However, the reactions to these changes from other companies in the same network are less readily recognized. According to business-to-business marketing research, actors are not isolated, but connected through technologies, knowledge, social relationships, administrative routines and other interdependencies. Firms are directly and indirectly connected in relationships, which makes them respond to changes within other organizations. (Håkansson and Snehota, 1995) A successful change process, no matter it's purpose – growth, synergies or the intention to acquire new business relationships – is not solely dependent on positive internal outcomes but also on achieving (explicitly or implicitly) desired reactions from surrounding network members (Fors, 2007).

Yet, we know very little about how business networks react to organizational change and most importantly, we lack knowledge about how to manage change as to achieve desired responses. Earlier research shows that business-to-business relationships change continuously through ongoing interaction between involved parties. Actors adapt to each other through incremental steps, making the overall pattern of business relationships rather stable, even if every relationship changes in content or in strength. This reasoning emphasizes both stability and change in business relationships. (See e.g. Anderson et al., 1994; Håkansson and Snehota, 1995) Bigger events such as mergers and acquisitions on the other hand have been identified as critical events, meaning that they have the potential to break the deep structure of a given network as they cause either disruption or establishment of one or several relationships (Halinen et al., 1999; Havila and Salmi, 2000; Havila and Salmi, 2002). Such radical changes may in turn spread and cause domino effects (Hertz, 1998) or netquakes (Dahlin et al., 2005) among connected actors. But as mentioned earlier, it is still unclear exactly how network members react to change and how to manage change to achieve desired responses.

In this respect, researchers in related fields such as change management, human communication and human resource management have come much further. They have been able to find clear connections between proper management of organizational change and positive reactions among employees. They have identified communication as the key element affecting employees' responses. Researchers mean that personnel experience uncertainty, anxiety and stress when facing internal change. Worries about potential decline in status and job security result in reduced morale, reduction in productivity, absenteeism and tardiness, which ultimately lead to unsuccessful change processes. (DiFonzo and Bordia, 1998; Bastien, 1987; Schweiger and DeNisi, 1991; Kramer and Pierce, 2004) The only way for management to deal with anxiety that follows a certain change is to communicate with all its employees as soon as possible about anticipated effects of the change. "Failure to do so will increase uncertainty and employees' willingness to rely upon rumours, which can further increase anxiety. That uncertainty and anxiety can lead to such dysfunctional outcomes as stress, job dissatisfaction, low trust in the organization and commitment in it, and increased intentions to leave the organization." (Schweiger and DeNisi, 1991, p 111)

But how do network members react to organizational change? Do they similarly to employees experience uncertainty, anxiety and stress? Do they rely on rumours and speculations? Do they break ongoing business relationships? Do they start new ones? Is the role of external change communication as important as internal change communication for preventing or minimizing such reactions? (For a theoretical discussion see Fors, 2007)

The aim with this paper is to investigate the role of external change communication. The paper is inductive in nature; results from a case study from the Swedish dotcom crash are presented and then shortly discussed.

2. Methodology

[5]

Results presented in this paper are extracts from a bigger case study performed as part of my thesis work. The case study starts from a Swedish IT company – Nocom AB – and branches off to cover also connected business actors. Information presented here is based on interviews and briefing meetings with Nocom AB's CEO, Nocom AB's public relations director, the managing director of the subsidiary Nocom Software, the managing director of the subsidiary Hera AB, the managing director of the subsidiary Cyberink and staff members within the Nocom organization. It is also based on interviews made with two of Nocom's suppliers –

Hummingbird and WRQ – one of Nocom's sales channels – Dustin Partner – and four of Nocom's customers – SEK, Musik i Uppland, Avesta Works and Länsförsäkringar Uppsala. Also e-mails from Nocom AB's CEO as well as Nocom AB's website, annual reports and press releases are used as sources of information.

The interviews are to a large extent based on story telling, anecdotes and chronological descriptions of events. I have chosen to retain these features by presenting the results in such a way that reflects the actual statements of the informants. Results from all interviews are put together to form a sequential story with quotations and narratives. As the theoretical discussion of this case is to follow in a separate chapter (chapter 4), any conclusions or thoughts expressed below (in chapter 3) are given by the informants themselves. The reader is given an account of how Nocom communicated its organizational change to suppliers, sales channels and customers, and also how these actors reacted to the specific change in question.

3. Results from the case study

3.1 Background: A traditional distributor role in total alteration

Nocom AB (publ) is an IT group operating within distribution and software. With a total of approximately 270 employees and 17, 500 shareholders, Nocom is one of Sweden's oldest IT companies. For many years, Nocom's main strength and corporate profile lay in its traditional distributor role and participation in a basic, traditional value-added product flow of suppliers, sales channels (resellers and partners) and end customers according to Figure 1. To Nocom, this meant directing all sales to customers through well-established sales channels. Software products were never sold directly to end customers, but had to reach the target market through resellers and partners.

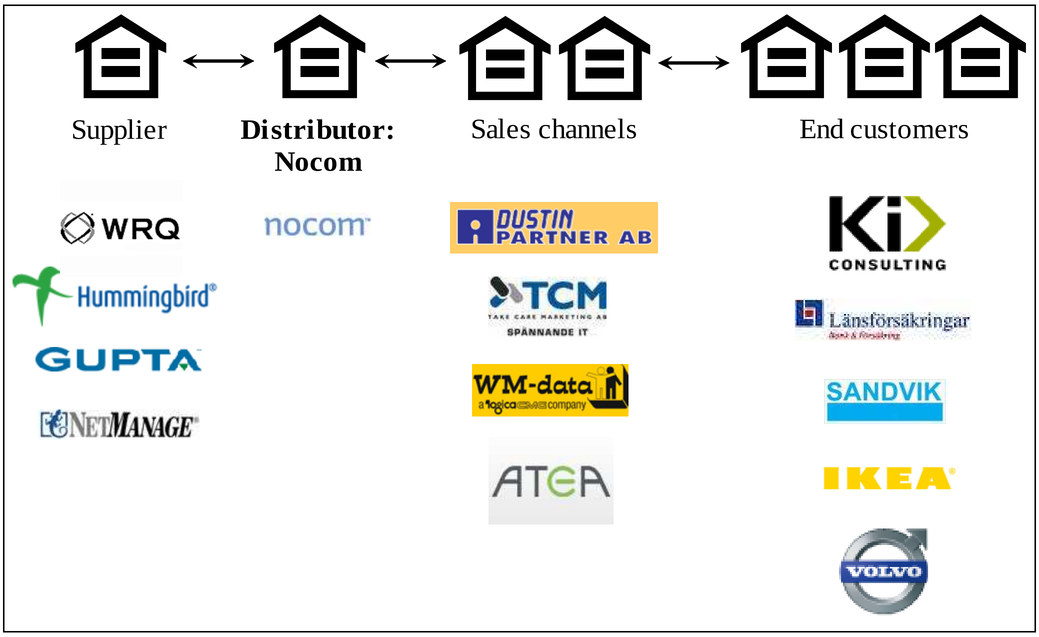

Figure 1. The figure shows Nocom's original value-added product flow with some examples of supplier, sales channel and end customer relationships.

The introduction to the Stockholm Stock Exchange in January 1999 indicated however the start of a new phase in Nocom's history as the company's traditional distributor role began to change. The IT market was growing at an explosive rate with to all appearances endless business opportunities and investor interest was intense. Business actors, politicians as well as consumers had high expectations on information technology and what it could accomplish both in business and in everyday life. The financial market was no longer focusing on profitability but growth became the new motto. As a result, several IT companies got involved in mergers, acquisitions and diversifications of market offers. As the era of growth began at high speed, Nocom decided to follow mainstream. Altogether, Nocom spent SEK 379.5 million on recruiting new firms. From 1999 to 2001 Nocom had made a number of strategic acquisitions and broadened its offers to include not only software and distribution but also IT consulting, hosting, mobile services, services for the travel industry, e-logistics and marketing communication. The goal was to take distance from its traditional distributor role and instead become an overall supplier of a broad range of products and services to end customers. To reach that goal, Nocom stretched its position to both directions of the conventional business chain to take the role of a supplier as well as a sales channel.

But this situation became very soon unbearable when external parties started to react. At the same time, management found difficulties in integrating all new operations with Nocom's core business. Like many other IT companies during that period, Nocom's direction and offers became unclear. Moreover, Nocom's management didn't bother communicating neither with old parties nor with newly recruited customers, which only made the situation worse. After three years of acquisitions, diversifications and high operating costs the organization found itself only two week from bankruptcy.

Simultaneously, what many analysts anticipate happened: the IT bubble burst. Positive expectations were interrupted by decline and disappointment and the so called dotcom crash began to take shape. Discussions about IT companies having unsubstantial business concepts and untested business models became to many analysts an obvious fact. Several overrated companies disappeared in a second. The number of Swedish bankruptcies increased from 141 in 1999 to 205 in the year 2000 and 337 in 2001. Despite all pressure however, Nocom made it through. To survive, a newly appointed management had to re-take the organization's original position in the traditional business chain by selling out all newly acquired companies and also focus on changing the firm's communication that had become defective during the expansive period. From that moment and right up to the middle of 2007, Nocom has been very clear about once again being a true distributor collaborating with well established suppliers and sales channels. As a result of an extensive streamlining, Nocom managed to post its highest sales in five years in the fourth quarter of 2002 and report record earning after three loss-making years.

The next two sections focus on how Nocom's growth and change of focus that took place between 1999 and 2001 was communicated to suppliers, sales channels and end customers, and also how these actors reacted to the specific change in question (see Figure 2). Section 3.2 deals with Nocom's way of communicating with *old* counterparties, that is actors collaborating with Nocom prior to the company's expansion plan, whereas section 3.3 deals with Nocom's way of communicating with *newly* recruited customers, that is customers gained through strategic acquisitions.

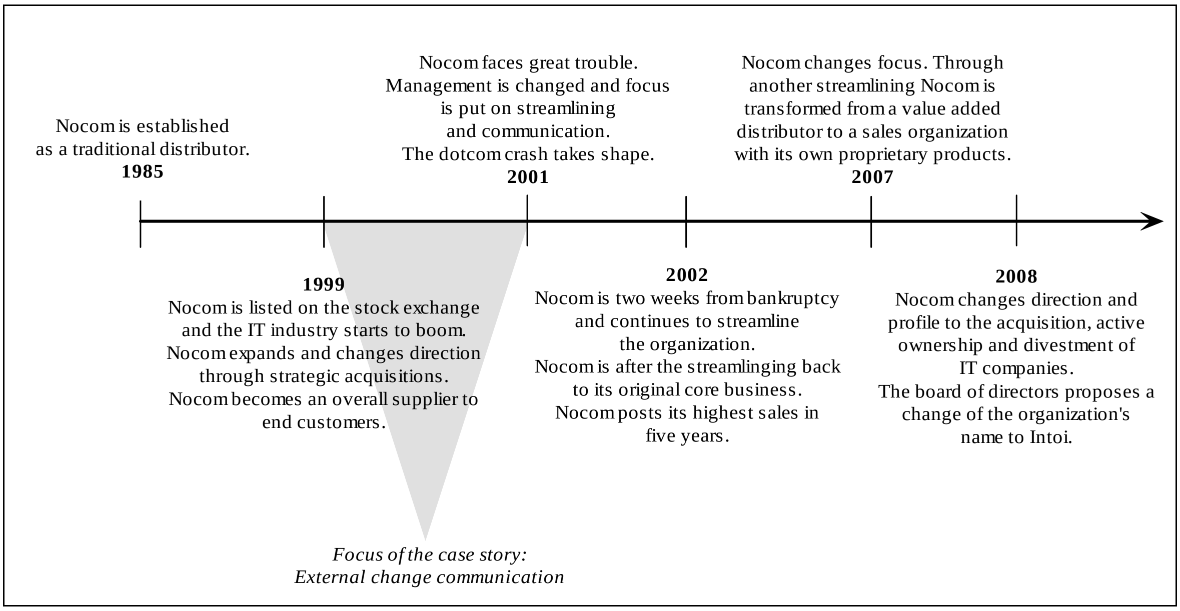

Figure 2. The figure shows the focus of this case story. The following pages describe how Nocom's growth and change of focus that took place between 1999 and 2001 was communicated to external actors and also how these actors reacted to the specific change in question.

3.2 Nocom lacked in its communication with *old* parties

3.2.1 All external communication disappeared

"We were non-existent", Nocom AB's CEO says in trying to describe the company's external communication during the expansion period. "That's why I don't have any information for you from that period. There is no…

we didn't do anything. We had our hands full with managing all this. (...) I have really looked for communication activities, I mean news bulletins or something, but we did *nothing*. But full focus was on acquiring and making a mess."

All formal information to suppliers, sales channels and old end customers came to an end. Previous partner and customer seminars, circulars of information material and news bulletins discontinued. Instead, management directed its spotlight and all energy towards new business concepts and newly recruited customers, despite the fact that these customers together generated only 6 percent of Nocom's income during the year 2000. Information to the stock market, new customer brochures and new customer seminars – which were now the only communication activities provided – were dealing mainly with new opportunities and future prospects. "We didn't want to talk about this old shit", Nocom AB's CEO says in explaining why the company's communication to old parties suddenly disappeared.

Thus, somewhere in the beginning of this expansion period, the company *chose* to employ what Nocom AB's CEO calls an un-open means of communication, meaning that management selected what to say and how to say it as to ignore old relationships. This resulted in Nocom's external communication being incorrectly slanted to the advantage of new business activities and disadvantage of "The old Nocom". Management had become so introvert in its messages that it didn't think about what other actors wanted to know. Management should according to Nocom AB's CEO have been more self-critical in its way of communicating and asked the question: Are these new relationships really that important that they have to receive so much space and attention? Because it must have been really hard for old counterparties to stand in a distance and watch. Instead of being included in various activities like before, they could now receive brochures about Nocom introducing let's say mobile services in New York. They must have felt like outsiders since Nocom made it very clear that only new things mattered. "And this was our communication; nothing about the old stuff because it was bad. So of course they became both pissed of and angry and irritated," Nocom AB's CEO continues.

3.2.2 Nocom couldn't answer incoming questions

While this situation sustained, external actors became more and more uncertain about Nocom's purpose with ongoing changes. According to both Nocom AB's CEO and the subsidiary company Nocom Software's managing director, questions kept coming from the outside, but the company had lost its focus and become so messy that nobody – neither management nor personnel – could give any clear answers. The company was pulled to all sorts of directions and its offers had become so unclear that staff members themselves were uncertain about what they were doing. What can employees say to their customers? Exactly what can counterparties buy from Nocom? Why is Nocom buying all these firms? What does Nocom's future look like? These issues were now unclear. "It went a bit fast here", one of Nocom's employees says in describing the situation back then. "I had difficulties understanding how we could have time [for all acquisitions] and be able to absorb everything. It went very fast. We had a consulting part that was unoccupied and sat and did nothing and at the same time we were buying new firms."

Employing an un-open means of communication and not being able to answer incoming questions had created a very inefficient and frightening situation. Especially sales channels felt that Nocom was abusing its position. The so called distributor had cancelled nearly all contact with its resellers and partners while at the same time striving for keeping its exclusive rights for specific products, which basically forced some sales channels to turn to Nocom anyway. Since Nocom itself couldn't give any answers about the company's future, Hummingbird – one of Nocom's suppliers – had to put up with questions from sales channels that were constantly calling and asking for personal meetings to hear Hummingbird's opinion about Nocom's actions and prospects. They could call with reference only to that specific issue and say "this is not working, we can't continue like this any more, we are afraid". They were worried about being blown off on business by Nocom. Because what Nocom did was cutting nearly all business with sales channels while still making a lot of money on rolling maintenance contracts. Right up till now, Hummingbird hears comments on how Nocom acted several years ago. Some sales channels, like Software Spectrum, are still complaining and saying "but they sold directly [to our customers]". Hummingbird's seller thinks this anxiety will go on forever. The feeling of being deceived is still there, even if relationships have been re-established.

In 2001 when the company's economy was clearly sinking and management was changed to find solutions, some actors also made credit controls on Nocom and wanted to meet with the company's CEO in person to hear "how it *really* goes". Sales channels that had followed Nocom's annual reports and press releases through the last couple of years were wondering "where are we in all this and where are our customers". Although Nocom AB's CEO knew he couldn't reveal price-sensitive information, he did accept those longed-for meetings after writing non-disclosure agreements. "We met", Nocom AB's CEO says, "but it was *personal* communication, so it was not written. (...) We had to let the stock exchange quotation rules decide *when* we could communicated and in what way."

3.2.3 Anxiety and rumours started to spread among network members

The company's frightening situation became even worse when rumours started to spread among sales channels about whether Nocom is a true distributor or just some company that sells directly to end customers. Nocom's management understood that surrounding actors were talking with each other, especially when unfamiliar parties that had never done business with Nocom before suddenly said something like "oh, you sell directly" or "aren't you a hybrid". Nocom Software's managing director believes there was a lot of gossip and buzz going on among business actors.

Although questions came mostly from sales channels, also suppliers were very worried. They were afraid that Nocom at any time could wind up all product activities and focus solely on consulting services. Besides, several suppliers – among them Hummingbird and WRQ – had not established other distributor relationships than the one with Nocom. Being dependent on only one distributor created a rather strong anxiety about the future. Because what would happen if Nocom suddenly decided not to distribute products as agreed on, or even worse, what would happen if Nocom went bankrupt? As a matter of fact, three suppliers drew back their credits when the Swedish business magazine Dagens Industri in an article with the headline "IT companies' cash flow soon empty" gave Nocom 3.9 more months to bankruptcy.

Suppliers who didn't receive any information directed to them personally became very concerned when suddenly faced with press releases describing Nocom's investments in new business areas. WRQ's sales director describes this specific period as very turbulent. Nocom had dissociated itself from being a distributor to WRQ's products and started selling directly to end customers. "A lot of time was spent on conflicts and discussions about this", WRQ's sales director says in explaining how Nocom's behaviour affected their relationship. "We had more conflicts than creative business together." To know the gravity of the situation, WRQ kept asking Nocom about what was going on, but no explanations were given. Instead, WRQ had to put up with reading about Nocom in the daily press. To solve the actual conflict, several meetings were arranged between the parties. WRQ had clear wishes. They wanted Nocom to stop focusing on end customers and instead develop the whole sales channel segment again. They also wanted to see an action programme including how Nocom would go about. WRQ's sales director describes how they kept pushing Nocom to focus on core business again: "We told them they have to develop the sales channel segment or else we will do it." But no clear answers or actions towards that direction emerged. WRQ received no official information about what Nocom was doing or why. WRQ's sales director wishes she had been given continuous and early information to be able to prepare for the future. She also wishes Nocom had some routines for communicating with its suppliers. Being kept in the dark made WRQ start new distributor relationships, among others with the Swedish IngramMicro which was a direct competitor to Nocom and the Norwegian Bedriftsystemer. This process was perceived as very hard and doubtful.

Old end customers on the other hand were not as worried, but could as a matter of fact accept and even like Nocom's new direction as they came closer to the original source. According to Nocom AB's CEO, end customers' differing reaction can also have to do with them not being as dependent on Nocom as suppliers and sales channels were since most of their business was made through resellers and partners and not directly with Nocom.

3.3 Nocom lacked in its communication with *new* parties

3.3.1 Nocom didn't meet with new customers

Although Nocom was very enthusiastic about writing press releases, annual reports and brochures about new business opportunities and arranging new customer seminars, management and employees did not actually meet with newly recruited customers to discuss ongoing or future business. Nor did members of Nocom's management or staff in person explain desired and/or expected effects or synergies that could result from every acquisition. In fact, very few newly recruited customers received the opportunity to personally communicate with the group executive board or CEO at all. Instead, most external actors had to put up with reading about the Nocom group in press releases, brochures, annual reports and other information material. This lack of communication is based mainly on two reasons.

Firstly, Nocom's management understood quite early in the expansion process that desired synergies would never occur. Nocom AB's CEO describes the very few attempts to approach new customers as total failures. For example, Nocom's management realized in a joint meeting with the acquired marketing communication agency Hera AB and the customer company Sandvik that all parties were so unlike that they didn't have anything in common. It was impossible to find a way of making the existing customer relationship with Sandvik even stronger. Those staff members within Sandvik who managed business with Hera were not the same staff members as those who managed Nocom. Hera worked directly with Sandvik's CEO and marketing division, while Nocom had contact with the customer's technical division. Sandvik's marketing division didn't even know that Nocom had been supplying their co-workers with products and services during the last 15 years. "I knew Sandvik's IT manager", Nocom AB's CEO says. "We had a very good relationship. They bought terminal emulation from us. We talked about thin and fat clients, we talked about installation. Hera on the other hand had contact with Sandvik's CEO and discussed alteration of the company's corporate profile and above all how to make one of Sandvik's trademarks – Sandvik International Systems – global. (...) *But*, this guy had no idea about what the other guy was doing and wasn't even interested in knowing it." It is true that Nocom, Hera and Sandvik had a joint seminar, but that didn't generate new sales. Nocom AB's CEO continues to describe the situation as it was back then: "They didn't buy more WRQ-licences because Hera made their flags, and they didn't buy more flags because we sold them terminal emulation. We were *so distinct* from each other that... the synergies were kind of gone. The synergies were based on Sandvik buying more things from us."

Secondly, difficulties in controlling the expansion flow that carried on at a high speed made Nocom's management unable to focus on ongoing business and discuss possible future projects. Management struggled with wrapping in new activities, making staff members understand the company's new direction and just figure out what Nocom was and had become. "As things were back then, the idea was good", Nocom Software's managing director says in explaining Nocom's initial goal with all acquisitions. "But it went awfully fast and sometimes also very messy and the whole organization didn't keep up with these rapid moves. Companies came and companies disappeared." Many newly acquired companies were left outside instead of being integrated into the Nocom organization. Here's what Nocom Software's contract administrator says about the acquired marketing communication agency Hera: "It felt like Hera was in a different world, the Hera world. And they could never enter into the IT world and we could never enter into their world. We had some joint parties but we had no collaboration what so ever." Another employee describes this issue in the following way: "This mix of advertising people and IT people that we had hoped for never occurred. We didn't have any common projects." The whole Nocom organization was so divided that inquiries about consulting services from existing and potentially new customers created internal confusion. Nocom had several consulting firms fighting for the same customer instead of working together.

3.3.2 Nocom failed in keeping newly acquired customers

Since the group executive board had its hands full already, communication with newly recruited customers was really up to each subsidiary's own managing director. Even those companies who actually had become totally integrated in Nocom's organization and lost their independence had to deal with this issue on their own. There was one problem though: the subsidiaries themselves had their thoughts elsewhere. Several of those firms who entered into the Nocom group had the goal to either go for Nocom's bigger customers or expand their business to cover additional markets worldwide. As a result, existing customers and operations may have suffered. "Nocom had bigger customers and our ambition was to get our consultants inside those bigger customer firms which we partly succeeded with", the managing director of the acquired company Cyberink says. "But it was incredibly hard. We got to work with some banks, FöreningsSparbanken for example. Consulting business with them was pretty okay but otherwise it was so hard to get any new projects." Hera AB's managing director describes his ambition in the following way: "Nocom's vision was to establish advertising agencies, above all in Scandinavia but also in London and Germany. And my dream was to establish Hera in Scandinavia. So just over a night I received the opportunity to open agencies in Oslo, Copenhagen, Helsinki, and maybe London. (...) I think all our customers saw it as something good. We got a new strong owner quoted on the stock exchange. Early in the process, I told them we would enlarge our company all over Scandinavia. Our customers SSAB, Avesta Sheffield etc., they have worldwide business so if we suddenly would open offices in Scandinavia and London, that would only benefit them. So everything was positive. I imagined Hera expanding its platform, that is get stronger, bigger, be present on several markets and as a company owner I received capital, which was only good."

Although newly recruited customers may have reacted positively at first, they actually started to disappear. Cyberink's managing director says: "We received some inquiries from pretty big customers right on to the middle of 2000, but then it just died. Someone had pulled out the plug." Customers began to feel anxious when the Nocom share price decreased, personnel quit and Nocom started to sell out newly acquired companies. Customers started to notice problems with ongoing projects, delays in deadlines and decreased working motivation. One of the Nocom group's previous customers – Länsförsäkringar Uppsala – says: "If we had received proper and early information maybe we would have stayed [in the relationship]".Management could have been more active in engaging all customers. Only then Länsförsäkringar Uppsala would have thought differently.

So, the result of all this? At the same time as the Nocom organization neglected old supplier, sales channel and end customer relationships, Nocom also failed in engaging and maintaining newly recruited customers. Nocom AB's CEO says: "We put SEK 379.5 million on acquiring new customers. None of them remains today."

4. Discussion

Results from the case study point to several issues: the lack of business strategies, the absence of a growth plan, the lack of internal communication, the lack of relationship management and several other managerial issues. *The aim with this paper was to investigate the role of external change communication*. Does communication with network members help the organization(s) undergoing change to achieve desired responses?

Results presented above show how the lack of communication with surrounding business actors creates a frightening situation characterized by uncertainty, anxiety and reliance on rumours and speculations. It is clear that uncertainty is founded in the lack of information. Consequently, waves of uncertainty can be prevented or promoted only by means of communication. The best way to avoid or alleviate such anxieties is to ensure that all parties are well informed at all stages of development, removing the likelihood of confusion and misunderstanding whilst change is taking place in the network. Besides its every day function, communication is even more significant in a network that is exposed to any sudden, unusual or unmanageable phase. Communication becomes a way to handle a serious situation with the role of maintaining or bringing back security and stability into the network. Like a handful of rocks thrown into a small pool, each piece of information released from the focal firm (in this case Nocom) creates its own wave that washes over all network members, ensuring them that everything is under control and that there is no need to worry. (Fors, 2007) Keeping network members in suspense creates questions about what is going on and why. As actors are hungry for information, they tend to rely on rumours. Doubts can result in unexpected and undesired dissolutions of old relationships and establishments of new ones.

To avoid drastic or unwanted network reactions, the focal firm should adapt its communication to the specific event at hand. The challenge is to find a suitable communication method that helps companies minimize negative responses. For instance, the case study points to the importance of early information in order to enable connected actors to prepare for the future. It also points to the importance of direct and personal communication as opposed to indirect communication. Business actors dislike reading significant information in newspapers and press releases. Instead, they favour face-to-face communication, preferably with the focal firm's management. Also, management should be more self-critical in its communication and think about what network members *want* and *need* to hear. Expected synergies and desired future prospects should be clearly described. Adapting such a recipient perspective can save a company a lot of trouble.

Another issue that is worth emphasizing is whether the focal firm should release or withhold important information. Results show that the latter strategy is not worth the risk. Although the decision to reveal or conceal is situation dependent, it is in general more effective to reveal, even if the information at hand in incomplete. Because what happens if gossips start spreading? (DiFonzo and Bordia, 1998) In this case management lost control over the situation as gossip and buzz began to capture the network. Thus, to communicate, and communicate openly and honestly, is in general more effective in alleviating uncertainty and other reactions to change. Even the Listing Agreement for companies that have gone public emphasizes the *possibility* of informing third party prior to simultaneous publishing. When possible, this should always be put into practice. Especially strategically important actors should always be informed. Results show that strongly dependent actors become very nervous when being kept in the dark.

To sum up, this research contributes to several practical recommendations. Uncertainty, anxiety and speculations among network actors can prevent companies from performing business in a desired way. Exchange processes can be interrupted. It is therefore vital for managers to find ways to manage organizational change, not only internally but also externally. A proper understanding of the role of change communication enables managers to use communication to their strategic benefit and accurately plan their tactical moves. By understanding available communication options and their consequences, managers can make more conscious choices when planning for or handling an ongoing change. In the same way, proper change communication help surrounding actors to take precautions, prevent unwanted effects and hinder emotional disturbance.

Most importantly, the results from this research make it possible for managers to predict the outcome of their own and others' activities in the network. This could realistically save companies from additional time and money. Indeed, it could be the difference between a firm feeling as though a related change means an inevitable demise of the company, and recognizing that it could be the start of a great shift towards a more profitable, efficient future. Organizations should therefore be investing a portion of their resources to effective change management, whether they are directly or indirectly affected by it.

The results from this research also contribute to a large extent to theory development. The study emphasizes the importance of taking into account the surrounding business network when looking into organizational change. It also emphasizes the importance of external communication as a way of managing change to achieve desired responses. These areas have up till now received minor attention. Industrial network research should put change and their implications in a wider network perspective and look beyond the focal firm in question.

5. References

5.1 Literature

Anderson, J. C., Håkansson, H. and Johanson, J. (1994), "Dyadic Business relationship within a business network context." *Journal of Marketing* **58**: 1-15.

Bastien, D. T. (1987). "Common patterns of behavior and communication in corporate mergers and acquisitions." *Human Resource Management* **26**(1): 17-33.

Dahlin, P., Fors, J., Havila, V., Thilenius, P. (2005), *Netquakes - Describing effects of ending business relationships on business networks.* IMP 2005, Rotterdam.

DiFonzo, N. and Bordia, R. (1998), "A tale of two corporations: Managing uncertainty during organizational change." *Human Resource Management* **37**(3 & 4): 295-303.

Fors, J. (2007), *Communicating M&As to Business Networks – A Conceptual Discussion*, paper presented at the 23rd Annual IMP Conference, August 30th – September 1st in Manchester.

Halinen, A., Salmi, A., Havila, V. (1999), "From dyadic change to changing business networks: an analytical framework." *The Journal of Management Studies* **36**(6): 779-794.

Havila, V. and Salmi, A. (2000), "Spread of change in business networks: an empirical study of mergers and acquisitions in the graphic industry." *Journal of Strategic Marketing* **8**(2): 105-119.

Havila, V. and Salmi, A. (2002), "Network perspective on international mergers and acquisitions: What more do we see?" In Havila, V., Forsgren, M., Håkansson, H. (eds. (2002), *Critical perspectives on internationalisation,* Amsterdam, London, New York, Oxford, Pergamon, Elsevier Science Ltd.**:** 457-472.

Hertz, S. (1998), “Domino effects in international networks.” *Journal of Business to Business Marketing* **5**: 3-31.
Håkansson, H. and Snehota, I. (eds) (1995), *Developing relationships in business networks*, London, UK: Routledge.
Kramer, M. W. and Pierce, T. A. (2004), "Managing uncertainty during a corporate acquisition. A longitudinal study of communication during an airline acquisition." *Human communication research* **30**(1): 71-101.
Schweiger, D. M. and DeNisi, A. S. (1991), "Communication with employees following a merger: a longitudinal field experiment." *The Academy of Management Journal* **34**(1): 110135.

5.2 Other references

Briefing meeting with CEO, Nocom AB, 2005-09-16
E-mail from CEO, Nocom AB, 2007-09-12
Interview with CEO, Nocom AB, 2005-10-20
Interview with CEO, Nocom AB, 2006-03-28
Interview with CEO, Nocom AB, 2007-05-07
Interview with CEO, SEK, 2006-04-25
Interview with contract administrator, Nocom Software, 2006-03-13
Interview with director of education, Avesta Works, 2006-05-05
Interview with director of Private & Bank, Länsförsäkringar Uppsala, 2006-04-12
Interview with director of Private & Bank, Länsförsäkringar Uppsala, 2006-05-09
Interview with managing director, Cyberink, 2006-01-25
Interview with managing director, Hera AB, 2005-10-18
Interview with managing director, Nocom Software, 2007-03-07
Interview with music director, Musik i Uppland, 2006-03-23
Interview with public relations director, Nocom AB, 2005-09-27
Interview with sales director, WRQ, 2007-03-08
Interview with seller, Hummingbird, 2006-09-12
Interview with systems developer, Nocom Professional Services, 2006-03-16
Interview with technical support, Nocom Professional Services, 2006-03-29
Telephone interview with sales director, Dustin Partner, 2006-04-26
Nocom AB’s annual report from 2002
Nocom AB’s financial summary available at http://www.nocom.com/en/Investor-Relations/Financial-statistics/, 2007-09-10)
Nocom AB’s website: http://www.nocom.com/en/About-us, 2007-05-02