# Exploring perceptions of interdependencies in supplier-customer relationships

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## Abstract

The purpose of this paper is to study how the cooperation setting of relationships - here delineated as the characteristics of the actors involved, the relationship atmosphere of their joint interaction and their perceptions of the immediate network of third parties - influence actors' perceptions of interdependencies. Further the paper explores how actors' perceptions of interdependencies influence their strategic re-actions and decision in specific relationships. Through discussions of a company's relationships with two different customers, the paper argues that even in cases where different customers draw on similar resources and activities of the same supplier, perceptions of interdependencies may vary. The empirical data are derived from an exploratory observation study of joint product development meetings and interviews with involved managers conducted in the Danish food industry. By investigating the implicated actors' view and perceptions of interdependencies the aim is to contribute to discussions of how companies in different co-operation settings, will form different perceptions of interdependencies leading to variations in strategising choices of when to follow and when to lead.

## Keywords

Interdependency, Relationship Atmosphere, Network Pictures, Food industry, Denmark

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## Introduction
When collaborating with different customers a company may take on different roles in servicing these customers. Since customers have different needs they may draw on various elements of the company's resources and activities holding different requirements related to e.g. sales, supplies, information, technology and development. Drawing on and utilising specific activities and resources in a relationship the interacting partners will built inter-organisational interdependencies and these interdependencies may be relationship specific and unique (Hakansson 1989). The company's role in relations to various customers will thus be characterised by the customer's requested input as well as the relationship specific interdependency built. Accordingly, interacting partners may see different strategic opportunities in different relationships, for developing a specific relationship or for changing position in a wider network context.

Relationship specific interdependencies may be multi-dimensional and related to activity links, resource ties and actor bonds between business partners (Ford et al. 2003; Hakansson and Snehota 1995). Taking an interdependency perspective on business activities implies a view of actors in a relationship to be active and re-active partners interacting reflecting simultaneous elements of co-operation and conflict (Ford et al. 2003). Depending on the partners' respective positions in the network their other relationships will affect the interdependencies in their joint relationship. The degree of interdependency is related to which extent one party of a relationship needs and is reliant on the access to the resources and/or activities of the counterpart and vice versa (Ritter et al. 2004). When juxtaposed to business activities the degree of interdependency may be related to the degree to which these need to be co-ordinated whereas resource interdependency will lead to adaptation between interacting partners (Hakansson and Snehota 1995). In this article the theme of inter-organisational interdependencies is approached from a different angle. The aim is to study a company's perception of interdependencies in different customer relationships. The central focus is on how the co-operation setting, here defined as actors' characteristics; their joint interaction and the immediate network of third-party relationships, influence the *perceived interdependencies* of the actors' mutual co-operation. Further, it is argued that actors in a relationship may hold different perceptions of their mutual interdependencies. By studying a company engaged in different co-operation settings interacting with different customers the article addresses the following research

question: *How do different co-operation settings influence actors' perception and view on relationship interdependencies? How do different interdependency perceptions influence actors' strategic choices?*

The aim and focus of this article is intended to contribute to the growing discussion of strategic decision making in IMP (e.g. Baraldi et al. 2007). The article is built on the assumption that actors' perception of interdependencies will influence the role they claim for themselves and the role they expect the counterpart to take. Accordingly, actors' perception of interdependencies in a specific relationship will influence their strategic re-actions towards that specific partner (Ford et al. 2003; Ford et al. 1986). Through discussions of a single case study, the article will argue that even in cases where different customers draw on similar resources and activities of the same supplier, perceptions of interdependencies may vary. By investigating the implicated actors' view and perceptions of interdependencies this paper will contribute to discussions of how companies in different co-operation settings, will form different perceptions of interdependencies leading to variations in strategising choices of when to follow and when to lead (Ford and Mouzas 2007).

**Interdependencies in different co-operation settings**
The co-operation setting is for the present purpose viewed as comprising the interacting parties, their joint interaction and the immediate network of third-party relationships. In a co-operation setting, interdependencies may be built between the actors as well as in relation to other third actors reflecting the activity links, resource ties and actor bonds between them.

Taking a closer look at different degrees of activity or resource interdependencies, actors will experience various needs for mechanisms for co-ordination and adaptation in different co-operation settings. These different mechanisms may pose different demands to actors' roles. The seminal work of Thompson (1967)contributes to our understanding of how interdependencies between activities in different co-operation settings will lead to diverse needs for co-ordination between co-operation partners.

- Activities characterised by *pooled interdependencies* require simple co-ordination where partners may build up mutual routines and blueprints for their joint effort (Thompson 1967). Interaction may be characterised by standardised programmes and an impersonal mode (Van de Ven et al. 1976).
- Orchestrating activities characterised by *sequential interdependencies* requires some degree of mutual planning to co-ordinate for the co-operating partners to govern the cause of activities (Thompson 1967; Van de Ven et al. 1976).
- *Reciprocal interdependencies* call for more complex co-ordination and mutual adjustments reflected in the overall increasing need for communication between interacting companies (Van de Ven et al. 1976).

Different degrees of activity interdependencies thus require different mechanisms for co-ordination between interacting companies. This may lead to a company taking on different roles in the collaboration vis-à-vis e.g. different customers due to activity complementarity (Dubois 1998). On the other hand the company may draw on similar resources and activities in relation to different customers in a quest for building scale advantages.

In an IMP perspective resources are seen as heterogeneous and their value are considered dependent on how they are used and combined in different settings and relationships (Hakansson and Snehota 1995). In general we may distinguish between two categories: Technical and physical resources and social resources (Hakansson and Waluszewski 2002). Those resources an actor uses and have access to (Hakansson and Snehota 1995) as well as those resources an actor may influence and control (Holmen 2001) constitute the actor's resource collection. In relationships resource ties and interfaces will create interdependencies between actors as well as between relationships. In a relationship the resource collections of the interacting actors will be connected and create a resource constellation

potentially spanning several organisational units (Hakansson and Snehota 1995). The resource interfaces existing in resource constellations may further be characterised by interdependencies and related adaptations and investments made by actors. According to Hakansson and Waluszewski (2002) resource interdependencies may be determined due to various dimensions related to history, structure, relationships and technology.

Actors' quests to choose, develop, control and manage interdependencies in relationships and the related adaptations and investments in resources will be closely related to their strategic considerations (Ford et al. 1986). Even though adaptations and co-ordinations will be unique to the single relationships and determined by actors' interactions, it is be possible to identify relationships with resembling activity and resource interdependencies, due to companies building comparable relationships that solve similar problems (Ford and Mouzas 2007).

Interdependencies between co-operating companies may thus be related to activities and resources leading the parties to co-ordinate and adapt their mutual effort in a given setting. As the co-ordination and adaption can be considered central elements in the interaction between the parties, their mutual interdependencies will influence the role taken on by each actor (Ford et al. 1986). In situations where interdependencies in relation to various customers can be considered very much alike, it may on the other hand be expected that a company will take on similar roles in these different settings. Consequently, a company may hold similar strategic intentions towards different customers. However, as argued by e.g. Dubois (1998) the process of co-ordination and adaptation may raise conflicts and disjoint aims to be aligned between partners in a co-operation setting. This is due to the actors' potential different view on and interpretation of which resources and activities to be considered (most) critical. Actors may thus hold diverging views on each their role in different settings depending not only on activity and resource interdependency between them but also based on their *perception* of these interdependencies.

**Actors' view and perceptions of relationship interdependencies**
The mutual interdependencies between two actors will be a unique reflection of their relationship and their mutual co-operation. The relationship specific interdependencies will on one hand be characterised by the parties' joint and linked activities and the resources that tie them together. The actors' perception of the specific co-operation setting will on the other hand frame their view on these interdependencies. For the present purpose actors' perception of the co-operation setting will be contemplated at an organisational, relational and network level and will draw on selected elements of the Interaction Model (Hakansson 1982). The organisational level is thus represented by the characteristics of actors, e.g. a supplier and a customer and the interaction between those actors represents the relational level. The network picture of the interacting companies correspond the network level. In the following sections these levels are discussed in more detail.

*Actor types – characteristics of co-operating parties*
The perceptions of relationship interdependencies in co-operation settings will not only be influenced by the elements of the actual interaction and mutual co-operation between companies but will also be framed by the characteristics of the co-operating partners. Besides including factors of the products and services offered by the parties as well as their position as manufactures, retailers etc. the organisational dimension also includes technological and structural factors (Hakansson 1982) as well as cultural factors (e.g. Pedersen et al. 2002). When the technologies of actors are tied together in the interacting process every other element of the relationship will be influenced. The *technological* dimension thus embraces the characteristics of the actors' technological systems and the differences between them which constitute the basic conditions for interaction (Hakansson 1982). The *size and structure* of the involved actors will also influence their perception of their mutual interdependencies. Relationships between large and small companies are often associated with in the legitimised execution of power from the larger part although also offering opportunities for bridging capabilities

(Johnsen 2005). The organisational structure of each party in terms of the degree of centralisation and formalisation of e.g. purchasing and selling functions may also influence actors view on mutual interdependencies and their perception of their own role in the relationships and that of their counterpart. Finally, the organisational *culture* will frame individuals' actions in carrying out exchange tasks in the relationship to the counterpart and thus influence the co-operation setting (Pedersen et al. 2002).

### Relationship atmosphere

At a relational level the notion of relationship atmosphere is closely related to actors' perception and interpretation of what is and can be done in a relationship (Hallén and Sandström 1991). The concept thus contributes to an understanding of actors' emotional perception and view on relationship interdependencies. For the present purpose the relationship atmosphere is utilised for studying actors' view of each other's role and their mutual co-operation. The relationship atmosphere thus constitutes a frame for their perception of their own role in the relationship and that of their counterpart as well as '*the interpretation the same party believes that the other party holds regarding oneself*' (Hallén and Sandström 1991:113). The elements of the relationship atmosphere are accordingly considered important indicators of whether the actors may change or maintain their role in the mutual co-operation and the current state of the relationship (Ford et al. 2003). Based on the work of Hallén and Sandström (1991) critical elements in relationship atmosphere to be considered are power balance, cooperativeness, and empathy/closeness.

*Power balance,* is the exchange party's perception of how dependence is distributed, and which power bases they may have vis-à-vis other actors. Sutton-Brady (1996) and Gadde (2004) argue that the influence of interdependencies in a relationship is related to the parties' perceptions of the balance and mutuality as well as the parties' expectations to the potential execution of power. In some cases, realised power dependence relationships may be quite asymmetrical, whereas relationship atmosphere may not reflect this issue. The actors' perception of the co-operation setting may thus lead one party taking on a legitimate authority role potentially leading to paternalism or bully/underdog situations (Hallén and Sandström 1991).

*Cooperativeness* concerns the perceived compatibility of goals and strategies among actors involved. The cooperativeness reflects how actors agree on each other's roles in the relationship and how the actors perceive that the co-operation leads to justly distributed and increased value for both actors or whether sharing of e.g. knowledge may be less beneficial to one of the parties (Kumar and Andersen 2000).

The dimension *empathy/closeness* of relationship atmosphere relates to actors' ability to understand or even sympathise, with the beliefs, values, and goals of their exchange partner (Hallén and Sandström 1991). Empathy influences actors' ability to negotiate solutions but may also help actors overlook or even set aside own interests in the quest for seeking joint goals in spite of current incompatibility in resources and activities.

### Actors' network picture of co-operation settings

Relying on the industrial network perspective implies that relationship interdependencies are influenced by the interacting parties' relations to third-party actors (e.g. Anderson et al. 1994). The view and perception of relationship interdependencies is thus also embedded in actors' view on the wider network setting in which they are integrated. For the present purpose the notion of network pictures is utilised for gaining insights into actors' view and perception of their own role and the role of the counterpart in the wider network setting. The concept and underlying dimensions of network pictures have received increasing attention by researchers discussing company strategy in networks and have also been labelled 'network horizon' (Anderson et al. 1994; Holmen and Pedersen 2003);

'network' identity' (Anderson et al. 1994; Gadde and Hakansson 2001) or 'network position' (Johanson and Mattsson 1992; Mattsson 1985).

Network pictures capture how actors make sense of the wider network setting in which they are integrated and as such constitute subjective mental representations of the context of managers, which accordingly shape the underlying subjective logic for managerial action (Henneberg et al. 2006). Every business actor in a network will hold different network pictures, based on their experience, relationships and position in the network as well as being affected by the problems and uncertainties perceived by other actors (Ford et al. 2003). Although different actors are considering the same resources and relationships, they may hold diverging perceptions of these resources. However, several actors in a network may hold some common or overlapping understandings of a network setting, as illustrated in figure 1.  For the present purpose network pictures thus provide a mean for addressing how managerial sense-making and cognition frames companies' interpretation of the role performed by themselves and others in a wider network setting. In other words, network pictures reflect the part of the surrounding network that an actor is aware of and thus can take into consideration when initiating actions or reacting to the actions of counterparts. In this sense, network pictures frame company understandings of change and stability in the wider network setting (Öberg et al. 2007).

Several dimensions of network pictures may be considered relevant for the present purpose. Even though the concept of networks as argued in the industrial network perspective makes a network borderless (Holmen and Pedersen 2003) and networks do not have a centre (Hakansson and Snehota 1989), the notion of *centre and periphery* are relevant for discussions on companies' network picture. The centre and periphery of a company's network picture is related to those counterparts and relationship that are perceived to be important in terms of contributing to the company's development and earnings (Anderson et al. 1994; Damgaard and Munksgaard 2005). The *boundaries* of a company's network picture are related to the perceived complexity in terms of depth and width (Henneberg et al. 2006). The depth numbers direct relationships, whereas the width comprises the nature of influential relationships. *Directionality of interactions* characterises on one hand the flow of goods, services and information between exchange actors and may be contemplated as being either one-directional or multi-directional. The directionality thus also reflects the degree of mutuality in interdependencies between relationships partners (Henneberg et al. 2006). The network picture *focus* refers to the main network perception of a company, that is, whether managers, companies or relationships are considered the central and pivotal starting point. Finally, the dimension of *environment* ascribes the influence from third parties and from relationships not directly including the company (Damgaard and Munksgaard 2005).
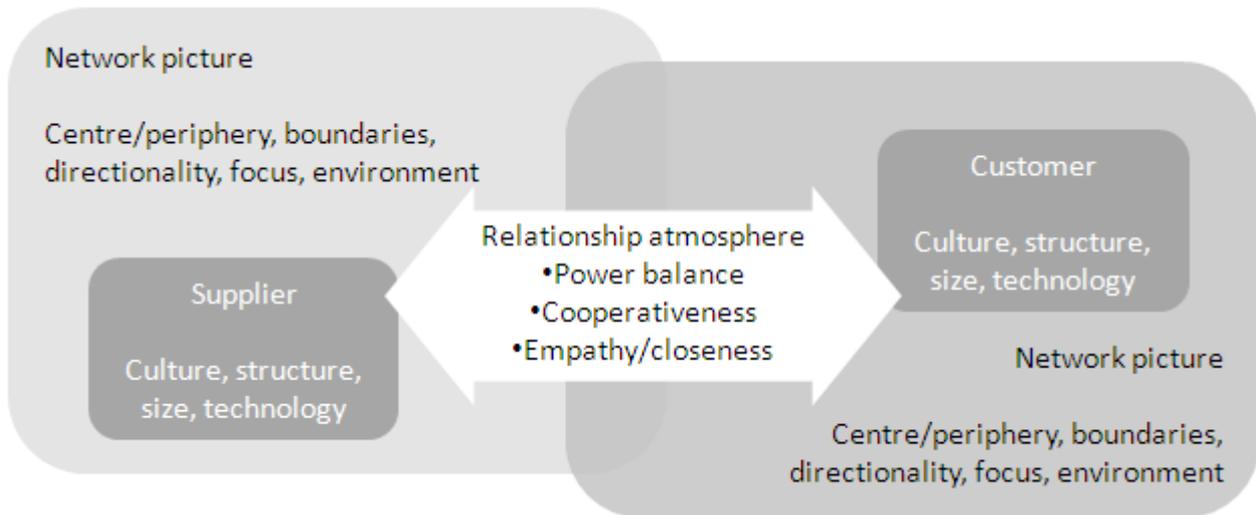
*Figure 1: A theoretical framework for the organisational, relational and network level of actors' perceptions of interdependencies in co-operation settings.*

**Perceptions of interdependencies influencing actor strategies in different co-operation settings**
It has been argued that a company's view and perception of interdependencies in a specific co-operation setting will influence the role that the company takes on in the relationship to a relationship partner (Ford et al. 1986). Further that the company's role is not only constituted by resource and activity relationship dependencies. Accordingly, companies' perception of interdependencies will influence their strategic choices in different co-operation settings and in relation to different relationship partners (Ford et al. 2003) even if these relationships may be considered similar in solving the same kinds of problems. As also argued by Ford and Mouzas (2007) the evolving strategic outcome in a relationship will also be influenced by the actors' view. Due the cause of the interaction with different co-operation partners, a company will need to make important choices of conduct in a specific interaction. While at the same time recognising that the counterpart as well as any other actor in the network will make simultaneous strategic choices affecting the outcome (Baraldi et al. 2007; Ford and Hakansson 2006). In other words each company will face choices of when to *follow* a counterpart in a co-operation setting and when to *lead* the counterpart in a chosen direction (Ford and Mouzas 2007). It has previously been argued that common examples of leading and following are related to e.g. company limitations in resources. Companies may thus follow i.e. the technological expertise of others, their knowledge of a certain area or their access and connection to other third parties. However, as will be argued based on the presented case study companies' choices of when to lead and when to follow are also be influenced by actors' view on and perception of interdependencies in different co-operation settings.

**Methodology**
As this paper is built upon research characterised as exploratory and with the aim of gaining insight into the interaction of business actors and their perceptions of interdependencies, the research strategy of this paper is qualitative in nature (Dubois and Gadde 2002; Yin 2003). A case study approach has been chosen as the boundaries between the actors and the institutional context in which they interact are not clearly evident but also due to the fact that the research units are dynamic in nature and evolves continually. This means that the case study is used as a platform from which the interaction between the involved actors are described and explained in the progression of creating an understanding of how the actors interact in the process of product innovation. A single-case study design has been chosen in a quest for reaching a certain level of analytical depth (Harrison and Easton 2004). The characteristics of interdependencies between business actors in the food industry may be

considered typical and apparent, due to companies' obvious dependency on others to reach end-consumers. Accordingly the single-case has been chosen from this industry. Further the specific and focal case company has been selected as a typical small to medium sized actor in the Danish food industry. The empirical foundation of this study thus includes one case presenting the focal food company Spice Inc. and the company's relationships with two selected customers: a large food processing company Chicken Delight as well as Euretail which is one of the largest retail actors on the Danish market.  The dimensions of organisational characteristics, relationship atmosphere and network picture as derived above is the theoretical vantage point for analysing and comparing the two relationships in the selected case.

The data for this study is a result of a data collecting process done in accordance with a research project regarding customer involvement in product development in the Danish food industry (Munksgaard 2009). Data for this study stems from thirteen semi-structured interviews and complementing field studies drawing on methods of participant observations. Interviews have been focused on obtaining insights of the characteristics of the companies; their technology, internal structure and culture. Further interviews have explored actors' network pictures and their perception of interactions and relationship specific interdependencies. Interviews have been completed in all implicated companies and the interviewees where employed as innovation managers or project managers. Participant observations of joint product development meetings between Spice Inc. and Chicken Delight as well as between Spice Inc. and Euretail have been complementing insights obtained from interviews. The methodology of participant observation has been utilised, providing important information about interaction in relationships, which is difficult to obtain through interviews (Carson et al. 2001; Jorgensen 1989). Even though complementary, the observation studies have resulted in a vast amount of narratives providing rich insight into the interaction and relationship atmosphere of the studied relationship. Finally, triangulation of data from interviews and observational data has given the benefit of an in-depth understanding and a ground for analysing multiple aspects and perspectives of interactions (Carson et al. 2001) – conscious as well as unconscious to the informants.

Interviews and observational data have been transcribed and coded using the textual software Nvivo. Coding was completed based on the theoretical concepts outlined. Data analysis has concentrated on the how organisational characteristics, relationship atmosphere and network picture in different relationships influence a company's perception of interdependencies and related strategic choices.

## Case presentation
Spice Inc. is a small Danish food company manufacturing spice mixtures, marinades and functional ingredients for meat products. The company supplies its products and related services to large meat processing companies in Denmark as well as to retail chains having their own in-store butcher shops and delicatessen. The customers utilise Spice Inc.'s products for adding a certain taste or functionality to their branded or private label consumer meat products and convenience goods. Additionally, Spice Inc. offers selected customers a product development service that is supporting the customers' effort for developing spice mixtures and marinades for new meat products.

Chicken Delight and Euretail are two of Spice Inc.'s large and valued customers. Chicken Delight is an industrial producer of consumer poultry products selling its primarily branded products through retailers. Being the largest poultry company in Denmark Chicken Delight holds one of the most advanced poultry processing plant worldwide, and is exporting to all over Europe. Euretail is one of the largest retail companies operating on the Danish marked. In selected stores the retailer has in-store butcher shops and delicatessen preparing and selling a wide range of private label meat products and convenience goods.

Both of these customers have an on-going relationship with Spice Inc. drawing on the supplier's resources for developing new mixtures and marinades. The joint development effort is in both cases

closely related to seasonal introductions of new meat products (e.g. for the summer BBQ-season, for Easter or Christmas) and are thus characterised by repeated and recursive exchanges.

### *Presenting the characteristics of the involved actors*
*Spice Inc.*
For years Spice Inc. was a family owned business, but in 2003 it was bought by two business partners with an ambition to turn the company into a development-oriented supplier, servicing larger customers in the Danish food industry.  As part of an organisational development and reorganising a development department as well as a marketing function was established putting more emphasis on customised product development and production. Even though the Spice Inc. sales department plays a vital part in reaching the company's ambitious growth goal, selected important and valued customers are serviced by the development department. The company's focus on building development-oriented customer relationships has proven to be paying off in terms of increased turn-over. The company's latest initiative has been to invite selected customers to a joint trend and ideation meeting.

The joint activities and co-ordination in the Spice Inc. – Chicken Delight and Spice Inc. – Euretail relationships hold several similar characteristics. In both relationships joint product development efforts are characterised by similar flows of product development activities related to ideation, prototyping, testing and production of new spice mixtures and marinades. Further the joint efforts are co-ordinated through joint meetings evaluating new products and planning for their introduction on the consumer market. Spice Inc. generally makes an effort for adapting and co-ordinating their flow of activities to that of their customers. The relationships with Chicken Delight and Euretail are both characterised by pooled and sequential activity interdependencies leading to cross company standardised and planned co-ordination repeated project by project and season by season.

*Chicken Delight*
Chicken Delight has grown from series of mergers in the Danish poultry industry and has its roots in farmer-owned cooperatives. The history is colouring the current organisational culture emphasising the company's strive to increase the revenue to its farmer-owners by optimising and making the development and processing of products more efficient. The development, sells and marketing of the poultry company's branded fresh poultry products and retail-packed products is cross-functionally organised and structured. In collaboration with the sales and marketing departments the development department co-ordinates the business with Spice Inc. and other suppliers. To a limited degree Chicken Delight specifies the development input and products demanded from suppliers of spices and functional ingredients, while also leaving suppliers with some initiative for presenting new product ideas.

*Euretail*
Purchasing and development of new marinades and mixtures for private label meat products are centrally co-ordinated in the Euretail organisation. The purchasing function at Euretail is characterised by a traditional distribution behaviour and structure, dictating suppliers' input by specifying products and services required. In general it is the retail company's policy to dictate suppliers' input be specifying products and services required, as expressed by the purchasing manager: "*If there is something we do not wish to do, it is to have a supplier determine what products that are in our stores, because then we are no longer in control".* Accordingly, the retailer is in general less attentive to Spice Inc.'s new product ideas and favours the development of own ideas.

### *The Spice Inc. – Chicken Delight relationship*
The Spice Inc. – Chicken Delight collaboration is rather new, but the relationship has already grown close. Joint developments are mainly focused on developing new consumer products to the summer BBQ season. Accordingly the partners engage in parallel and joint development activities to prototype,

evaluate, test and produce new poultry products introduced under the Chicken Delight premium brand at the consumer market.

*Relationship atmosphere*
Spice Inc. is one of Chicken Delight's preferred suppliers. This is not only related to seasonal developments but also applies to situations where Chicken Delight is approached by a customer to develop a specific product. Chicken Delight considers Spice Inc. to be a flexible business partner that adapts its spice mixtures and marinades based on its insights on the poultry producer's production process. Even though the supplier is considered less competitive in some product areas, Chicken Delight views Spice Inc. as a competent development partner. As the relationship during the years has grown closer and stronger the parties have come to think of the multi-dimensional interdependencies between them, as expressed by a Chicken Delight employee: *"When the product is finally accepted, when it has gone to production and supply is consistent... then we [product development (ed.)] alone cannot deselect Spice Inc. neither can production – even if they wanted to".* As the partners have grown to know each other, the knowledge of any of the partner's special requirements is enhanced. A development employee from Spice Inc. states: *"Since we have been working quite a lot with Chicken Delight, I know, for instance, their attitude towards additives, and so on. Additives, aromas and stuff like that, they want to avoid. I know that even before a new project is initiated".* The relationship is considered rewarding by Spice Inc., which believes that it holds a strong position in the customer's portfolio, as the development manager claims: *"I don't mind Chicken Delight using other suppliers, because it gives a possibility for comparing and then they can see that we can do what our competitors cannot. It also keeps us on our toes".*

The Spice Inc. – Chicken Delight relationship is characterised by mutual and open communications and the parties regard their business dialogue to be fair and outspoken. The business atmosphere is empathic and friendly as expressed a Spice Inc. employee: *"We almost see each other as colleagues, when we phone or e-mail, it is pretty much like they [the development employees from Chicken Delight (ed.)] are just at an office down the hall".* Figure 2 summarises the Spice Inc. – Chicken Delight relationship and co-operation setting.
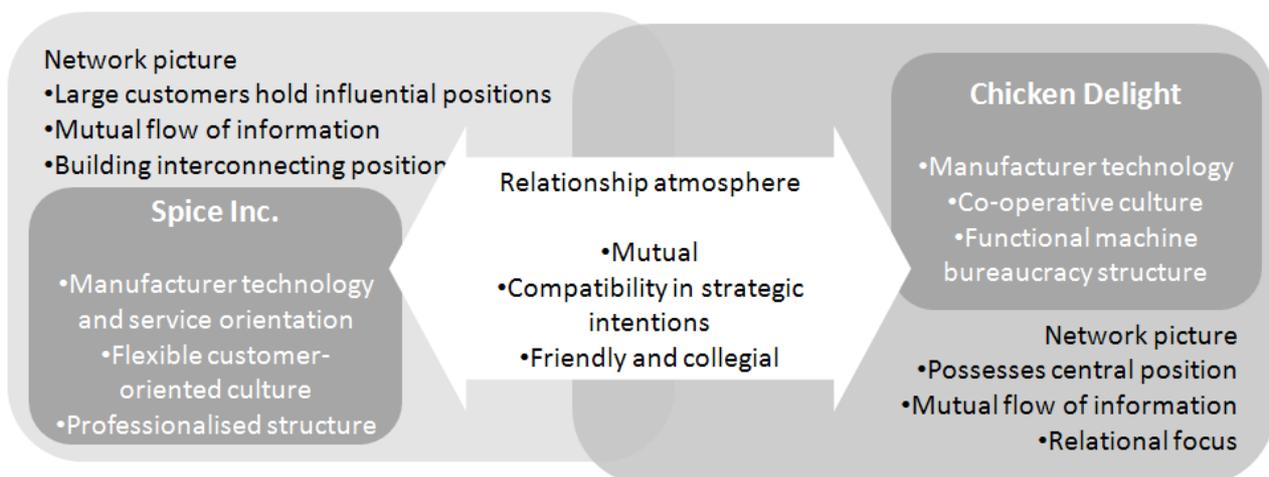


*Figure 2: The Spice Inc. – Chicken Delight relationship and co-operation setting*

*Network pictures*
In a wider network context Spice Inc. views itself as a flexible supplier adjusting its services to customers' internal product development setup. Additionally, the company is picturing its role as a development partner connecting the development effort of industrial customers and retailers. This interconnecting role is conveyed in the Spice Inc.'s effort to e.g. working with optimising the quality of

new food products and at the same time providing a ground for efficient production process thus connecting the requirements of both customer groups. In other words the spice supplier is trying to create cohesion between different customers' internal processes and criteria for new products' introduction. Accordingly, Spice Inc. has invited selected customers to a joint trend and ideation meeting. While Spice Inc. used to rely more on its suppliers' capabilities for specifying new products to be developed more focus is now placed on developing customer relationship in the company's quest for creating an interconnecting position.

Chicken Delight pictures itself a central actor on the market for consumer poultry products and in the meat business in general, since it via its size has a significant influence in the industry. The company feels confidence in its influence on retailers when consumers pull demand on its branded premium poultry products. Further being a large player Chicken Delight has authority in relation to smaller suppliers like Spice Inc. when collaborating for product development. Chicken Delight's development manager states: *"Usually, and probably because we are so big, we get things our way; when requesting for developments and adjustments".* For getting new ideas for new consumer products Chicken Delight draws on different development partners e.g. suppliers with different competencies and chefs providing new angles to the development setting. Additionally, the company seeks to accommodate with supplementary demands and requests for new products posed by its retail customers.

### The Spice Inc. – Euretail relationship
Spice Inc. is single supplier of marinades, spice mixtures and functional mixtures to the large retail company Euretail. Their relationship is focusing on developing customised solutions to the retail actor used for preparations of private label products (spiced convenience meat products) in Euretail's in-store butcher shops and delicatessen. The joint development effort is primarily centred on developing products to the summer grill season where the partners engage in joint meetings to co-ordinate their development activities and effort.

*Relationship atmosphere*
Using Spice Inc. as a single supplier has facilitated a rather close relationship and the retailer Euretail acknowledge the strong bond and cross-company co-ordination, as the retail purchasing manager states: "*To me it [the co-operation with Spice Inc. (ed.)] actually plays a significant role (...) I consider it as being a part of our own product development scenario".* Further, the relationship atmosphere may be characterised as relatively equal and mutual on a dependency dimension. Spice Inc. is dependent on the retail customer to get its products to end-consumer, whereas Euretail is dependent on Spice Inc.'s knowledge and services for optimising the working procedures and flow of new products in the retail chain's in-store butcher shops and delicatessen. However, both parties perceive the relationship power balance to be in favour of Euretail. In the general the joint development setup is to a large extent adjusted to and defined as closely related to the existing working procedures at Euretail's in-store butcher shops and delicatessen.

On one hand Euretail is dictating the joint development effort while on the other hand seeking to develop the competencies of Spice Inc. The purchasing manager from Euretail states: '*Somehow we have to ensure that Spice Inc. participates in the role it's meant to participate in. That is that they are the ones that are in control and they are the ones that have to keep the wheels going and control the different things. For this we are in training, we are not quite in place yet, we have not come as far as I would have liked, not at all.'* Whereas Spice Inc. is empathic to Euretail's demands the development department also expresses discouragement when Euretail still rejects product ideas and initiatives: "*Well that is... it's always annoying to present new products that you have worked on for quite some time (...) and then they [Euretail (ed.)] say that it's all crap. That they can't use any of it".* Reflecting on these disjoint understandings in the relationship, the Spice Inc. development manager says: "*It might be because I have some expectations in my head of what kind of supplier – customer relationship it is we have,*

*expectations that do not match the ones Euretail has".* Figure 3 summarises the Spice Inc. – Euretail relationship and co-operation setting.
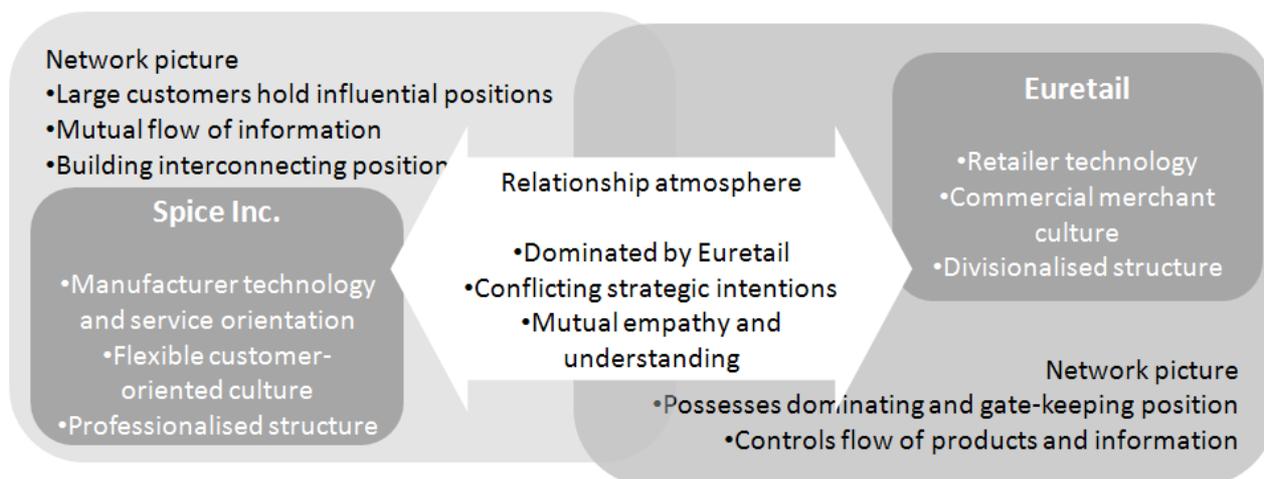


*Figure 3: The Spice Inc. – Euretail relationship and co-operation setting.*

*Network pictures*
In the Spice Inc. network picture – as described earlier – the retail customer is considered a prominent and innovative development partner and the relationship with Euretail is perceived to be a door opener for developing new relationships with other customers.

Euretail is conscious of its strong and dominating position as one of the largest retail chains operating at the Danish market. Based on its perceived position it to a large extent tries to direct and control the flow of products, information and activities from various supplier as well as food producing and processing company to end-consumers. At the same time the retailer acknowledges and values the mutual dependencies built to suppliers like Spice Inc. by stating: "*If this should be split up for two suppliers, then there was not much for each. And if I had to split it up, I would have to spend time on it, to maybe save s few peanuts, and I am not interested in that because the entire saved amount is eaten by my salary for the time I spend on it".*

**Discussions**
Comparisons across the two relationship presented above leads to interesting observations contributing to our understanding of how actors' characteristics, the relationship atmosphere and the actors' network picture shape actors' view and perceptions of interdependencies and further influences the unfolding of actors' roles and strategic actions. In overall terms the analysis confirms how actors' perceptions of interaction and interdependencies will vary in different co-operation settings. Based on the presented case the following elements of the co-operation setting seem to have particular influence on the perception of interdependencies of the involved actors leading to differences in strategic re-actions and decisions:

- Convergence in actor characteristics implies perceptions of interdependencies to be more mutual and balanced.
- Perception of interdependencies are coloured by the power balance and cooperativeness of the relationship atmosphere, where more aspects of potential conflicts provides a sentiment of stronger degrees of interdependencies.
- Overlap in actors' network pictures and especially the characteristics in network picture directionality influence actors' perceptions of the mutuality of interdependencies.

The overall findings are presented in table 1 and discussed in more details in the text below.

| | Chicken Delight | Spice Inc. | Euretail |
|---|---|---|---|
| **Problems and solutions sought** | Finding a solution appealing to consumers while adjusted to internal activities | To get products to end-consumers | Finding a solution appealing to consumers while adjusted to internal activities |
| **Culture, structure, size, technology** | Manufacturer technology Co-operative culture Functional machine bureaucracy structure | Manufacturer technology and service orientation Flexible customer-oriented culture Professionalised structure | Retailer technology Commercial merchant culture Divisionalised structure |
| **Relationship atmosphere** | Mutual Compatibility in strategic intentions Friendly and collegial | | Dominated by Euretail Conflicting strategic intentions Mutual empathy and understanding |
| **Network picture** | Possesses central position Mutual flow of information Relational focus | Large customers hold influential positions Mutual flow of information Building interconnecting position | Possesses dominating and gate-keeping position Controls flow of products and information |
| **Perceptions of interaction and interdependencies** | Mutuality based on Spice Inc.'s flexibility Dual flow of information and knowledge Perceived mutual interdependencies | | Unique relationship and collaboration due to single supply and Spice Inc.'s adaptations and flexibility Spice Inc. acts as extended development office |
| **Role and strategic re-actions** | Spice Inc. adjusts to Chicken Delight's internal working procedures Spice Inc. confronts established patterns for interaction Dynamic patterns of leading and following | | Spice Inc. conforms to Euretail's requests and internal procedures Spice Inc. concedes to Euretail's wishes for the joint development effort Spice Inc. follow the lead of Euretail |

*Table 1: Comparisons of case relationships – perceptions of interdependencies, roles and strategic re-actions*

The presented relationships appear similar on selected dimensions, since they both are aiming for creating solutions to the same kind of problems. In both customer relationships Spice Inc. aims for getting its products to end-consumers, while the supplier also views both customers as influential actors giving good references in relation to other customers. To Euretail and Chicken Delight respectively the co-operation with Spice Inc. is considered a way to develop new products appealing to end-consumer, but more important a way to develop new products adaptable to existing internal processes and working procedures.

Starting with actors' characteristics and the influence on perceptions of interdependencies and related roles and strategic re-actions the case reveals a greater resemblance and convergence of culture, structure and technology in the relationship between Spice Inc. and Chicken Delight. In this relationship the actors are both characterised by a manufacturer technology with a coinciding focus on efficiency and effectiveness in the development and production of new products. In Spice Inc.'s relationship with Euretail it is not possible to detect the same degree of convergence in the actors' characteristics. Varying degrees of conflict in relationships have however been emphasised as beneficial (e.g. Wilkinson and Young 1994). Spice Inc.'s flexible culture seems to be an important element underpinning the interaction in both relationships. The variations in convergence of the actors' characteristics seem to be reflected in several dimensions of the atmosphere in each relationship. The perception of the mutual interdependencies in the Spice Inc. – Chicken Delight relationship is characterised by mutual power and a cooperativeness building on compatibility in strategic intentions. Even though the relationship atmosphere in the Spice Inc. – Euretail relationship is likewise characterised by strong empathy and mutual understanding of each others' line of business and actions, the actors hold a clear perception of Euretail being the dominating part holding the

decisive decision-making authority. Further, a greater overlap exists in the network pictures of Spice Inc. and Chicken Delight compared to the relationship between the spice supplier and the retail customer. This is influencing the accordance of the partners' expectations of own role and the role of the counterpart. This is in line with Sutton-Brady (1996) and Gadde (2004) arguing that the influence from the power/dependency dimension on a relationship is related to the parties' perception of the balance and mutuality as well as the parties' expectations to the potential execution of power. In other words actors' perception of power balance in a relationship may not directly reflect the mutual dependency between them nor may the parties' perceptions of the relationship atmosphere match.

**Concluding remarks**
The case discussion also reveals how strategic re-actions and decisions in different co-operation settings – consciously or unconsciously - are influenced by how actors are *'making sense of specific others'* while searching for the direction of change within single relationships (Ford and Mouzas 2007:17).

In the presented case this is illustrated by Spice Inc. inviting several selected customers – among others Euretail and Chicken Delight – to a joint seminar to foster the basis of a joint product development effort. Spice Inc.'s initiative may namely be characterised as an attempt to *create* or develop its position by changing the combination of existing relationships (Ritter and Ford 2004). The supplier essentially *confronts* the established procedures for holding joint meetings with single customers. Chicken Delight adheres to the initiative and thus the supplier's *lead.* In relation to Euretail the supplier eventually *conforms* to the existing pattern of joint product development interaction. Whereas the supplier from time to time has taken actions to introduce new elements or activities in the relationship, the repeated rejection from Euretail has in general lead to Spice Inc. *conceding* to the wishes of Euretail and *following* the customer's lead. Essentially the presented case shows how Spice Inc. is becoming less persistent in its presentation of initiatives and new ideas in the relationship with Euretail.

Interaction in networks are relative since the same resources and activities will have different effects in different relationships (Ford and Hakansson 2005; Ford and Mouzas 2007). This paper has argued that we may get a deeper understanding of this relativity by investigating interacting actors' perception of relationship interdependencies and thus the (evolving and ever changing) grounds on which strategic choices and re-actions are made by business actors. The idea of a network picture and the relationship atmosphere can be useful for an actor in trying to encapsulate the view and perception of interdependencies and possible strategic opportunities or restrictions. From the presented case study we may thus learn how actors' roles and strategic re-actions are closely related to actors' perceptions of interdependencies as these are framed by the discussed dimensions of relationship atmosphere and the degree of overlap in interacting partners' network pictures.

As a closing remark it is of relevance to stress that the aim of the present discussion not has been to determine which of the relationships in the case that may be considered the most successful. Instead the case shows how a company in different co-operation settings and in relation to different customers may build different perceptions of interdependencies influencing the company's choices and decisions – whether conscious or not – related to strategic re-actions and roles.

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