

Alignment in Business Relationships

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Abstract

There is presumption that alignment in business relationships is a condition for effective and satisfactory development of business relationships over time. However the issue of how alignment and disalignment between parties affect change in business relationships remains relatively unexplored because the attention in research has been more on the search for drivers of change external to the relationship.

This study aims at exploring how alignment in perceptions and interpretations of problems and solutions in business relationships changes over time. Our starting point is that how parties frame and name problems and solutions is critical to the development of relationships and therefore we need to explore how problems and solutions are framed and named in interaction between parties to the relationship.

The empirical context of our study is ICT Security. Analysing change in perceptions of problems and solutions by customers and suppliers between two different time periods, this paper provides evidences of alignment and disalignment in actor's perceptions and interpretations and how these impact on the relationship performance.

Keywords: change, actors, perceptions, relationship, interaction.

1. Introduction

This paper explores the effect of actors' framing activity on change in business networks. In particular, it is aimed at understanding how alignments and misalignments between parties emerge and to what extent these impact relational outcomes, in particular how the relationship will develop. The topic is related to that of stability and change in business relationships and drivers of their dynamics.

Many scholars have been interested in change in business relationships, and many different aspects of this phenomenon have been investigated: relationships life cycles (Ford, 1980; Dwyer, Schurr and Oh, 1987), change in dyads vs change in networks (Halinen et al. 1999), change in network pictures (Abrahamsen et al., 2009; Kragh and Andersen, 2009; Ford and Redwood, 2005), time and interaction (Medlin, 2004), methodological issues on change processes (Quintens and Matthyssens, 2009; Halinen and Törnroos, 2005), change in value perceptions over time (Corsaro and Snehota, 2010), and many others. Studies tend to vary according to the level of analysis adopted: the focal actor (Easton and Lundgren, 1992; Harrison and Easton, 2002), the dyad (Eggert et al., 2005) and the network (Abrahamsen et al., 2009; Andersson et al., 2007).

However, much more limited attention has been devoted to the role of actors' perceptions and interpretations and their consequences. There is a growing recognition that understanding managerial framing is important for explaining change phenomena in business. According to the organizational and managerial psychology streams of research it is. If individuals were completely rational there would not be the necessity to understand what guides their behavior; however, since we know that the idea of the *homo economicus* is far away to represent the reality, bounded rationality explains the difference between what normative models predict and what people actually do (Simon, 1957). Due to cognitive limits managers are not able to develop a complete understanding of their environment (Bogner and Barr, 2000; Daft and Weick, 1984; Weick et al., 2005): they develop subjective representations of it, lens through which they view events and their consequences on activity links, actor bonds and resource ties. This cognitive view is clearly in contrast with the economic one and also with the idea that it is industry structure that guides strategic action (Bain, 1956).

There is a growing interest, also in the industrial marketing field, in the role of

cognition for determining actors' behavior: "We should look more closely at interaction and what it is all about in order to develop an understanding of the forces at play when managers interact as individuals and how they are affected through cognitive interactive processes..." (Medlin and Törnroos, 2006: p.11).

The starting point of our analysis is that to understand network dynamics, we need to understand what happens in business relationships that are both generators, recipients and transmitters of change in networks (Havila and Salmi, 2000). We concentrate on a specific aspect of business relationships: alignment and disalignment in parties' perceptions of what constitutes the value of the relationship. We believe that describing, analyzing and understanding why misalignments and dissonances emerge in business relationships is important for the relationship evolution (Medlin, 2003). It has been argued that determining whether there is misalignment, and choosing which paths will achieve alignment is of central importance to decision makers (Scherpereel, 2006). We will explore in particular what are the consequences arising from these discrepancies and the question whether alignment something positive or negative for the relationship performance.

The study is part of a broader research project on business relationships in the ICT Security Industry. We selected dyads and triads in a network of firms who deal, as customers or suppliers, with security issues. At two different points in time we conducted interviews with forty-two key informants involved as customers or suppliers in fifteen relationships (twelve dyads and three triads). The interviews aimed to assess alignment in actors' perceptions of problems and solutions and how these have changed.

The paper is structured as follows: Section 2 introduces the literature review; in Section 3 the idea of alignment in business relationships is discussed, while section 4 describes the context of study and methodology; in section 5 we report the main findings. Discussion and conclusions of the study follow in section 6 and 7, respectively.

2. Change in business relationships and networks

In the IMP framework, in particular, scholars concentrated at understanding how change occurs in resource ties (Håkansson and Waluszewski, 2002), in activity links (Fredriksson and Gadde, 2005; Gadde, 2004) and in actor bonds (Håkansson and Snehota, 1995). There seems to be a general agreement that the “network of business relationship can never be seen as a stable structure. It is a structure with inherent dynamic features characterized by a continuous organizing process” (Håkansson and Snehota, 1995). Several researchers have emphasized the co-existence of stability and change in business networks: some extent of stability is required for change to happen (Easton, 1992; Håkansson and Snehota, 1995; Sutton-Brady, 2008), but networks are not necessarily stable and relationships long lasting and with limited substitutions of incumbent actors (Kamp 2005).

Studying change at network level, two evolution processes have been identified: changes in a combination of activities and resources by actors, which are characterized by the processes of structuring and heterogeneising, and changes in the control over activities and resources, in terms of hierarchisation and extrication processes (Håkansson, 1992; Håkansson and Johanson, 1992); specialization and generalization vectors have been successively introduced to further develop the model (Håkansson and Snehota, 1995). Håkansson and Ford (2002: 136) affirm, “Change a network involves changes in both companies and relationships. A company seeking change is always dependent on the approval and actions by the other actors.”

Looking at change at relationship level, there have been the idea of the different phases that characterize business relationships or the relationship lifecycle (Ford, 1980; Dwyer et al., 1987), largely criticized because it assumes that pre-defined cycles correspond more to different pathways of states (see Halinen, 1998). Harrison and Easton (2002) identify possible response outcome configurations to changes in the internal context (strategic approach and culture, centrality of resources, nature of existing position, experience of options) and in the external one (other actors and technological availability). These configurations are expressed in terms of pattern of timing (continuous or discontinuous), size of change (minor or major) and relative internalisation-externalisation. With reference to external drivers of change, Beverland and Lockshin (2003) find that niche intensity, changing customer demand, changing competitor actions and increased competitive rivalry are the drivers of

change in customers' desired value. These elements, in turn, represent a stimulus for relationship building and maintenance and a motivation for relationship dissolution when a supplier cannot (or will not) conform to the new desired value of customers (Flint et al., 2002).

Recently, the interest in the role of individuals in determining change processes has grown. Medlin and Tornroos (2006), for instance, observe that the analysis of individuals has been neglected in favor of business actors as firms, sustaining that there is a lack of distinction between the firm and the individual and that the role of the individuals in interaction has been underplayed. Individuals' perceptions are particularly important if we assume, as in this study, that bonds arise in business relationships as two related actors mutually acquire meaning in their reciprocal acts and interpretations (Håkansson and Snehota, 1995: 197). The managers' perspective in understanding strategic change processes and dynamics in network is critical (Van de Ven, 1992) as perceptions are necessary to make of events and provide interpretations of past and future with reference to the present so as that interaction can continue (Medlin, 2004). Interaction episodes drive changes in relationships and networks, and they involve behaviours based on perceptions (Schurr, 2007).

Agency theory sustains that the overall performance of a relationship is affected by the performance of individual actors (Arrow, 1985; Eisenhardt, 1989; Heide, 1994) and that both buyers and suppliers try to maximize their self-interest, tending to have incongruent goals (Eisenhardt, 1989) assuming homogeneity in actors ability to perceive and act (Combs et al., 2004: 920; De Castro et al., 2009). In this paper we are interested in how the asymmetry of interpretations and perceptions affects actors' behaviors in relationships.

3. Alignment in perceptions

The concept of alignment is intuitively appealing but analytically somewhat in need of clear definition. In particular if applied to parties in a relationship. In 1999 Holmlund and Strandvik affirmed, "Although it is widely recognized that perceptions of relationships should be studied from both the buyer's and seller's points of view, there are only a limited number of such studies" (p. 693). They introduced the perception configuration map as a tool for analyzing the combination of two parties'

perceptions in dyadic studies. The configuration map combines positive, neutral and negative perceptions by a buyer and a seller in order to identify nine different dyadic perceptions configurations, allowing conflicting views in the dyad to be revealed and described.

Introducing the construct of a double perspective points to the importance of jointly evaluation in business relationship; “Understanding and foreseeing sources of dissonance between parties is important to relationship survival” (Medlin, 2004: p. 191), also because differences between buyer and seller as they can cause difficulties and problems in relationships (Leminen, 2001).

We notice that often the term alignment has been used in a vague general sense, just to indicate a certain fit between elements. In business strategy, for instance, alignment has been mainly described in terms of strategic fit (Chorn, 1991; Smaczny, 2001), strategic match (Mintzberg et al. 1998), or as mere interface between two things (van der Zee and De Jong, 1999). More in general, studies on this topic can be distinguished into those that mainly associate positive consequences to aligned states between parties and negative to misaligned ones, and those who are more doubtful on the goodness of the consequences arising from alignments and misalignments.

Starting with the first, there are two types of consensus: around interpretations embedded in the content (the labels used by people to express their picture of reality) and in the framing of communication (Fiol, 1994); “Similarity is thought to ease communication, increase predictability of behaviour, and foster trust and reciprocity” (Brass, 1995). Cognitive incongruence in both parties may impact negatively on inter-organizational change (Lewis, 1990), while congruence promotes communication effectiveness (Kim et al., 2006). According to Saxton (1997), when goals, culture and strategies are characterized by high degrees of consistency and compatibility, the relationship between relationship activities and the effectiveness of inter-organizational change will be strengthened. If actors perceive and interpret the business context and the environment in different ways, this could create limitations in communications and knowledge transfer (Nahapiet and Ghoshal, 1998). According to congruence theory organizations are more effective when their structures, nature of task and external environment fit with each other; this idea is confirmed by Strandholm et al. (2005), who argue that organizations able to achieve an alignment

among the environment, strategy, and managerial characteristics will perform better than organizations that do not achieve such an alignment.

Stephen and Coote (2007) also put their attention on the importance of goal alignment in relational exchanges: in their view relational behaviors -such as flexibility, solidarity, information exchange and trustworthiness- create the condition for goals alignment as acceptance; the authors show that an increase in perceptions of goal alignment leads to an increase in perceptions of financial performance, measured in terms of cost performance. The development of long-term relationships is facilitated when there is fitness, cooperation and a common perception of the partnership (Anderson et al. 1994); parties should possess compatibility in goals, values and strategies, along with complementarity of resources (Fang et al. 2005). Compatibility can be translated in certain level of similarity in areas like business goals, culture, and strategy patterns, and when this compatibility is not present conflicts that damage further development of the relationship are more likely to occur (Lewis, 1990). In service context, for instance, it has been suggested that suppliers' perceptions tend to be more positive than customers' ones, and a greater alignment between parties emerges with time (Steinman et al., 2000). Significant perceptual differences are more evident in short-term relationships (Barnes et al. 2007).

Besides this idea of alignment as something that determines positive consequences for parties, other authors seem instead to offer more multifaceted interpretations of alignments and misalignments in business relationships. First of all gaps in business relationships always occur, as a perfect match is highly unlikely between two exchange parties (Omar and Naudè, 1999) and shared meanings are difficult to achieve as two individuals do not have the same histories, interactions and emotions (Colville and Pye, 2009). Furthermore, a complete alignment among parties can reduce stimulus to change. Recently alignments and misalignments in business relationships have been studied through the use of network pictures (Kragh and Andersen, 2009); it is observed that the best situation for managing change in networks is when network pictures include only partly shared network understandings, which complement each other. Change is more favorable when there is a certain overlap in network pictures compared to situations where the network pictures are very dissimilar or closely aligned. The authors' conclusion is that the variety and heterogeneity in network pictures of actors will assure the system to remain enough flexible and receptive to change. This argument seems to be in

contrast with previous studies, and particularly with the bulk of change management literature, according to which shared understanding eliminates or reduces reciprocal uncertainty and increases the probability of successful change implementation.

In transactional exchanges there are situations of alignment and misalignment (Cox, 2004; Cox et al. 2006); relationships can be aligned even when there is a lack of equity and continuing conflict between the buyer and the seller: a “win-lose” situation can be accepted for one party in an exchange, and sometimes it is preferred to the “win-win”. In other words, it is acceptable that both parties can gain something from a relationship, even though one party gains an unequal share of value compared to the partner: it is worst not accepting the deal, that receiving less.

Summing up, we can easily see a certain ambiguity in the literature on the role of alignments and misalignments in business relationship and the consequences that can generate from them.

4. The study

4.1 Methodology and research context

In order to explore the phenomenon under investigation, a longitudinal study has been carried out. In fact, only capturing the sequence of events over time it is possible to describe how things change (Pettigrew, 1990; Van de Ven, 1992). “In a processual case study analysis, the task of researcher is to search for patterns in the process, to find the underlying mechanisms that shape the patterns in the observed processes and to use both inductive and deductive reasoning in the analysis” (Pettigrew, 1997: p. 1290)”.

As for the research method we decided to apply template analysis. Template analysis represents a set of techniques that assume a “contextual constructivist” position. According to this, there always are multiple interpretations of any phenomenon, which “depend upon the position of the researcher and of the context of research” (King, 2004: 256). The consequence is that coding reliability is irrelevant compared to issues such as the reflexivity of the researcher, the attempt to approach the topic from different perspectives and the richness of the description produced.

Through template analysis the researcher produces a list of codes representing themes identified in the textual data. Some of them will be defined a priori and then changed

and added as the researcher read and interpret the text.

Template analysis works particularly well when the researcher want to take a phenomenological and experiential approach, as well as in those situations where the aim is to compare the perspectives of different groups of staff within a specific context (King, 2004), like in this case.

The study is confined to the ICT Security business, which has been chosen because the supplier-customer relationships in that context have some features that make them extreme such as the ambiguity of the product/service content of the relationships and the “emergent” nature of the solutions to the data security problems both among suppliers and customers. The dynamics of business relationship are even more relevant in those cases where business relationships are very complex or where high-technology system are involved.

4.2 The sample and the research process

To select our sample we controlled for customer firms size and importance of the supplier for the customer firms. The customer firms were therefore medium-large and with and increasing and more articulated need and sensitivity to security issues. All customer firms present a high need for security and belong to the finance industry.

The relationships were chosen asking customers to indicate the main supplier in the security area. Different types of suppliers were used: hardware/software vendors, system integrators, consultancy firms and distributors (Table 1 describes the composition of the sample).

Table 1. Sample composition.

CUSTOMER FIRMS			SUPPLIER FIRMS		
Name	Business	Respondents	Name	Business	Respondents
<i>Alpha</i>	Banking	IT Director	<i>Omicron</i>	Global Security Vendor	Marketing Manager
<i>Beta</i>	Manufacturing	Security Manager	<i>Pi</i>	System Integrator	Marketing Manager
<i>Gamma</i>	Insurance	ICT Manager	<i>San</i>	Software Provider	Sales and Marketing Manager
<i>Delta</i>	Transport	Security Manager	<i>Sho</i>	Global Provider	Country Manager

<i>Epsilon</i>	Energy	Chief Security Manager	<i>Quoppa</i>	Consultancy Firm	Account Manager
<i>Digamma</i>	Manufacturing	IT Director	<i>Rho</i>	Telco Operator	Sales Manager
<i>Stigma</i>	Banking and Insurance	Network Responsible	<i>Sigma</i>	Hardware Provider	Marketing Manager
<i>Zeta</i>	Manufacturing	Security Manager	<i>Tau</i>	Internet Service Provider Security Division	Key Account Manager
<i>Eta</i>	Financial Services	IT Consultant	<i>Ypsilon</i>	Distributor	Account Manager Enterprise
<i>Heta</i>	Financial Services	Technical Director	<i>Chi</i>	IT Vendor	Sales Manager
<i>Theta</i>	IT Services	E-Service Director	<i>Psi</i>	Security Vendor	Account Manager Consultancy Division
<i>Iota</i>	Public Infrastructures	ICT Governance Director	<i>Omega</i>	Value Added Reseller	Sales and Marketing Manager
<i>Kappa</i>	Banking	Infrastructure Responsible	<i>Alpha1</i>	System Integrator	Marketing Manager
<i>Lambda</i>	Public Administration	Director Advanced Services			
<i>Mi</i>	Insurance and Financial Services	Chief Security Manager	<i>Beta1</i>	System Integrator	Sales Manager Professional Services BU
<i>Ni</i>	Public Utilities	Audit Manager			
<i>Xi</i>	Manufacturing	Information System Director	<i>Gamma 1</i>	ICT Vendor	Marketing Manager
			<i>Delta1</i>	Security Vendor	Account Manager

Dyad level of analysis is adopted because at least two subjective understandings of the purpose and processes of interaction are needed to understand actors' behaviors (Medlin, 2008). The process of data collection went through four different phases:

1. Ten preliminary interviews have been carried out with both customers and suppliers in order to develop a general understanding of the context of study, the actors that operate in it and the relationships among them.
2. Two focus groups were organized with both customer and supplier firms with the purpose to identify which dimensions compose problems and solutions in the ICT Security Industry.

3. 33 in-depth semi-structured bilateral interviews have been conducted at time t_0 with both customers and suppliers (12 dyads and 3 triads in order to assess their idea of problems and solutions).

4. 33 in-depth semi-structured bilateral interviews have been conducted at time t_1 , after one year, with the same respondents.

Primary data have been completed with documentations and information collected during many conferences on security themes.

4.3 Assessing alignment and disalignment in interpretation of Problems and Solutions

We are interested mainly in how alignments and misalignments of managers' framing of problems and solutions affect the performance of the relationship over time. In research on categories of frames, frames are organized into diagnostic (assessment of the problem) and prognostic (assessment of the solution) (Benford and Snow 2000, Campbell 2005); this distinction is consistent with a focus on the strategic choice, as decisions involve matching problems and solutions (Kaplan, 2008).

Problem frames reflect the understanding that an individual has concerning the nature of a given problem and the most effectual means for addressing it (Nowel, 2008). Framing a problem situation is the basis for the problem solving process (Schön, 1983), where the frame allows evaluating the desirability of consequences. However, the stability and coherence of framed situation is precarious and exploring, assessing and disciplining is an ongoing process, which may lead to reframing the course of the problem solving process (Heusinkveld and Visscher, 2006). These considerations make problem-solving processes highly unpredictable; manager will have different and overlapping views of the present with each defined by subtle reinterpretations of the problem (Medlin, 2004).

In practice, to assess alignments and misalignments we used the following variables:

Customer side:

- *Perceived problems*. They are the customer's reasons that make sense to the establishment and maintenance of the relationship with a supplier, in order to solve the problems of the customer. Consistent with the literature on desired and perceived value (Flint et al., 2002), we use desired solutions as proxy for

perceived problems. Desires refer to person's wishes and wants and precede intention formation (Langdridge et al., 2007).

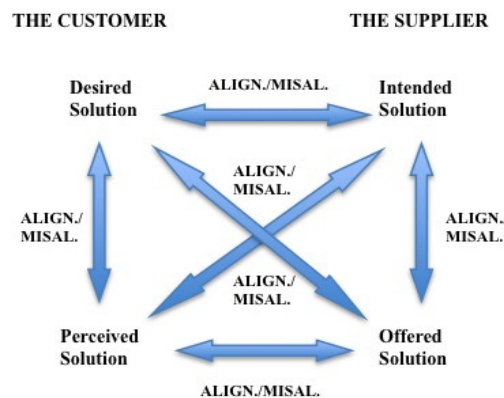
- *Perceived solutions.* The customer's judgment conferred to the solutions received by the supplier.

Supplier side:

- *Intended problems.* The customer's problems as intended by the supplier; we use intended solutions as proxy for intended problems.
- *Solutions offered.* Elements of the solution the company actually offer to the customer to solve his problems.

To assess alignments and misalignments in relationships between desired and perceived solution on the one side, and intended and offered solution on the other side, we focus on gaps of different type: Figure 1 provides an illustration of how gaps, that we call alignments and misalignments, have been considered in our study.

Figure 1: Gaps in parties perceptions of problems and solutions in btob relationships



We are aware that “Studying the gaps from the buyer's and the seller's perspective is a theoretical challenge” (Leminen, 2001: 181) and that, as Scherpereel (2006: 1260) underscores “Despite all these researchers are emphasizing the importance of

alignment in business, it remains a difficult concept to implement. A framework is needed that clearly defines alignment and provides a methodology for its consistency attainment”. Alignment and misalignment in business relationship are not consolidated concepts and generally accepted approaches to that do not exist.,Some previous studies compare the perceptions of groups of customers and suppliers by calculating the differences between the averages on items evaluated (see Barnes et al. 2007); in our case applying this approach would be meaningless. We in fact start by the assumption that, if perceptions are phenomenological and idiosyncratic, they cannot be standardized among relationships (Corsaro and Snehota, 2010). Therefore we have to focus on and illustrate alignment and misalignment in each single relationship. Drawing from the existing literature, we have therefore elaborated our own framework for assessing alignments and misalignments in business relationships, starting from the list of dimension resulted from the focus groups and included in table 2.

Table 2: The variables arising from the focus group.

HOW STRONGLY PROBLEMS AND SOLUTIONS IN THE RELATIONSHIP WITH THE COUNTERPART ARE RELATED TO:	
1. Characteristics of the product	7. Possibility of establishing relationships with third parties through the supplier
2. Characteristics of the service	8. Knowledge transfer
3. Capacity of integrating products and services	9. Efficiency/Process rationalization
4. Delivery performance	10. Innovation
5. Scouting of technologies on the market	11. Return on the customer' image
6. Technical Support	

We asked respondents to assign them a score from 1 (minimum) to 7 (maximum) according to their perceived importance. The respondents discussed with the researcher the score to assign to each of them. A ranking of the dimensions in the list represents the outcome of this phase for each respondent.

In order to decide if parties were aligned each other, we established that among the first four dimensions, at least three had to be the same (when more than four elements presented the same score, we asked the respondent to chose among them).

In the second time period, the same interview scheme was applied to the same respondents, to whom now it was also asked to explain the reasons for changes occurred in the relationship and their expectations and intentions for the future.

4.5 Measuring change in business relationship

To evaluate instead the outcome of business relationships, i.e. changes occurred in each business relationship in the to different time periods we used the concept of 'relationship performance'. In particular, we developed our own scale to determine if relationships over time have developed, remain invariant or were less developed compared to the past. The choice to develop our own scale is motivated by the attempt to include no perceptual items in this dimension (like the perceived commitment, trust, etc.). Our aim, in fact, is to evaluate the effects of alignment and misalignment (which are already based on perceptions of problems and solutions), on objective features of the relationship, so as not to create biases by evaluating the effect of perceptual measures on other perceptual ones.

To develop our scale we draw on the existing literature on relationship performance and findings from the two focus groups previously carried out. As for the literature, we refer mainly to the work of Palmatier et al. (2007) and Selnes and Salli (2003), even though a great part of the variables they individuate are quite subjective. Our preliminary interviews and focus groups have lead us to establish that in business relationships in the ICT Security Industry there are some elements that should be considered. They are:

- Amount of money invested by the customer in the relationship;
- Improvement of the product quality due to the relationship with the supplier;
- Economic value of the projects in course with the supplier (number and economic value of each);
- Number of persons involved in the relationship with the supplier;
- Increase in sales due to the relationship with the supplier;
- Number of new relationships reached through the supplier.

In the two different time periods we asked customers to assign a score from 1 to 7 to each of this element. Then, to check if the performance of the relationship has increased, or not we calculated the average score among these items.

5. Findings: the first study (t₀)

As for the first phase of the study, among the 21 relationships analyzed (12 dyads and 3 triads), we found 9 different situations with respect to how desired solutions and perception of solutions received (customer view), and intended and offered solutions (supplier view) were aligned or misaligned. These are illustrated in Fig 2. (Capital letters indicate the elements that refer to the customer side –i.e. DESIRED AND PERCEIVED solution – rather small letters reflect the supplier view – i.e. intended and offered solution –).

Table 3: Relational States at time t₀

A. Variables aligned between them but misaligned with B	B. Variables aligned between them but misaligned with A.	<i>Gap resulting from comparing A with B</i>	Number of cases characterized by this gap
DESIRED PERCEIVED Intended Offered		<i>FULL ALIGNMENT</i>	3
PERCEIVED Offered Intended	DESIRED	<i>MISALIGN DESIRES</i>	3
PERCEIVED Offered	DESIRED Intended	<i>MISALIGN RESOURCES</i>	2
DESIRED Offered Intended	PERCEIVED	<i>MISALIGN PERCEPTIONS</i>	3
DESIRED Offered	PERCEIVED Intended	<i>MISALIGN COMMUNICATION</i>	1
DESIRED PERCEIVED Intended	Offered	<i>MISALIGN OFFERING</i>	1
DESIRED PERCEIVED	Intended Offered	<i>MISALIGN SENSE-MAKING</i>	2
DESIRED PERCEIVED Offered	Intended	<i>MISALIGN INTENTIONS</i>	1
	DESIRED PERCEIVED Intended Offered	<i>AMBIGUITY</i>	5

We can easily observe that of the 21 relationships, 3 were found aligned and 18 were misaligned, with misalignments characterized in different ways.

1. Full alignment. This is the situation when the benefits intended and offered by the supplier are perceived by the customer to correspond to what the customer desires. This case suggests that the supplier is able to understand the customer's needs and to let the customer perceive his commitment as the desired one. In all 3 relationships were of this type. This situation can be temporary if events internal or external to the relationship lead to change.

2. Disalign Desired. The desired solution is misaligned. In this situation, the benefits perceived by the customer are in line with those offered and intended by the supplier, but are different from the ones the customer desired. This was the state in four relationships. The customer perceived on which dimensions of the solution resources were invested but, at the same time, the solution was not offering exactly the type of benefits desired by the customer. In the relationship between Heta (customer) and Hi (supplier) the desired solution's benefits were expressed in terms of knowledge transfer and innovation in technologies, against a strong investment by the supplier aimed at implementing solutions in required times and ways. Apparently the supplier was able to let the customer perceive on which dimensions of the solution resources were invested, but, at the same time, it was not effective as, after all, that was not exactly the type of benefit desired by the customer. This situation has inherent elements of instability. The supplier might modify his strategy by investing also in solutions different from the ones he currently offers, but it might even happen that the customer will learn to appreciate the solution offered by the supplier and change his picture of the desired benefits.

3. Disaligned Resources. In this states the solution desired by the customer is aligned with the one intended by the supplier, which means that the supplier has realized the problem of the customer; however, the solution offered by the supplier is not in line with this understanding. The customer realizes it and he is not completely satisfied given the gap between desires and perceptions. The reasons underlying this configuration can be related to resource constraints by the supplier that limit the possibility of satisfying the customer needs. We can refer to the case of a system

integrator (supplier Alpha 1) that tried to create interfaces among the customer (Kappa) infrastructures so as to reach an integrated security system, but the lack of a contract with an Israeli supplier of an important solution' component has created a barrier.

4. Disaligned Perceptions. The perception is misaligned. In this situation, the benefits desired by the customer are in line with the investments made by the supplier, but the customer doesn't perceive those in the supplier offering. An example of this kind of misalignment is the relationship between Iota (customer) and Omega (supplier), in which the supplier committed himself to supporting the customer in critical moments, being ready and present even beyond contractual ties, while the customer perceived the main benefits as being product quality and the supplier's willingness to transfer knowledge.

One can assume that the supplier understood what kinds of solutions the customer desired and he invested resources in the adequate solutions, but the benefits were not perceived. In this kind of relationship problems of value perception and communication emerge but the problems are easier to overcome than, for example, as in the situation of misalign desired where the supplier should modify the initial destination of resources.

5. Disaligned Communication. In this situation the idea of the supplier of the solution searched by the customer doesn't reflect the solution offered. At the same time, there is no alignment between customer desired solution and how the supplier has intended it. What is evident is that the supplier does not understand the customer's needs, either because the customer did not express clearly his problem or because the supplier identified the problem in a different way. Also resource constraints may have caused further divergences with respect to the possibility to make concrete the supplier idea of the customer desired solution. It is however strange that the resulting offering is line with the customer desires; we can suppose that the resource constraints (or other factors) have corrected the effect of the mistaken intentions.

From this situation, it comes out a chaotic situation in terms of communication flows: the customer understands that the supplier has a wrong idea of his problem but correspondingly the customer is not realizing that, at the end, the supplier has generated something on which he is interested, and that it is in line with what he

desires. In our cases we have for example one situation where the need for rationalization internal expenses by the supplier has led him to provide a different solution to the customer compared to the intended one. Even if this solution was able to satisfy his needs, the customer was negatively influenced by the economic problems of the supplier and therefore not able to see that the resource constraints pushed the supplier to be not only more efficient but also more effective.

6. Disaligned Offering. The offered solution performance is misaligned. In this case, the solutions desired by the customer are in line with the perceived and intended benefits of the offered solution, but different from those actually offered by the supplier. This was the case in the relationship between Sho (customer) and Delta (supplier), in which the customer perceived some benefits from the supplier in terms of its capacity to solve problems and its broadmindedness about his business reality, elements were very close to the customer's desired benefits. The supplier, however, did not have the ability to transfer these benefits as mainly focused on the innovative technological component of the offered solutions.

The customer managed to draw a kind of value from the relationship of which the supplier was unaware. This situation can improve if the supplier commits himself to reaching an aligned solution by investing in the elements desired by the customer. However, there is also the danger of passing from a misaligned situation to another misaligned situation based on a different imbalance, or from misalignment to a situation of ambiguity.

7. Disaligned Sense-Making. The customer's desires and perceptions are aligned each other as well as the supplier's intentions and offering, but the problem is that they differ each other; we can derive that the supplier has built his offering based on what he understood the problem of the customer was, while the customer has built his perceptions around what he desired. A possible explanation is that the customer could be influenced by his own preferences, forcing (often unconsciously) his own perceptions in the direction with the smallest dissonance. It can happen when the customer is not available to change the supplier portfolio, or when there are personal reasons for the relationship to be maintained, or also even when there are other individuals that have strong interest and influences in the relationship.

8. Disaligned Intentions. The supplier has not a right understanding of the customer needs. Anyway, like in the communication misalignment state, this misperception is corrected by other factors, such resource constraints or the influence by other actors. Compared to the state of misaligned communication, the misaligned intentions is preferable, as now the customer perceives that the offering by the supplier is able to satisfy his needs, while in the mentioned case it was not. A state of misalignment intentions can also occur in those cases were the customer want to interfere with the supplier activities and imposes certain types of solutions, even if for the supplier they are not the most appropriate to solve the problems of the customer.

In one of the case analyzed, for instance, it happened that the customer firm changed his top management which, in turn, imposed a new strategy in dealing with the supplier.

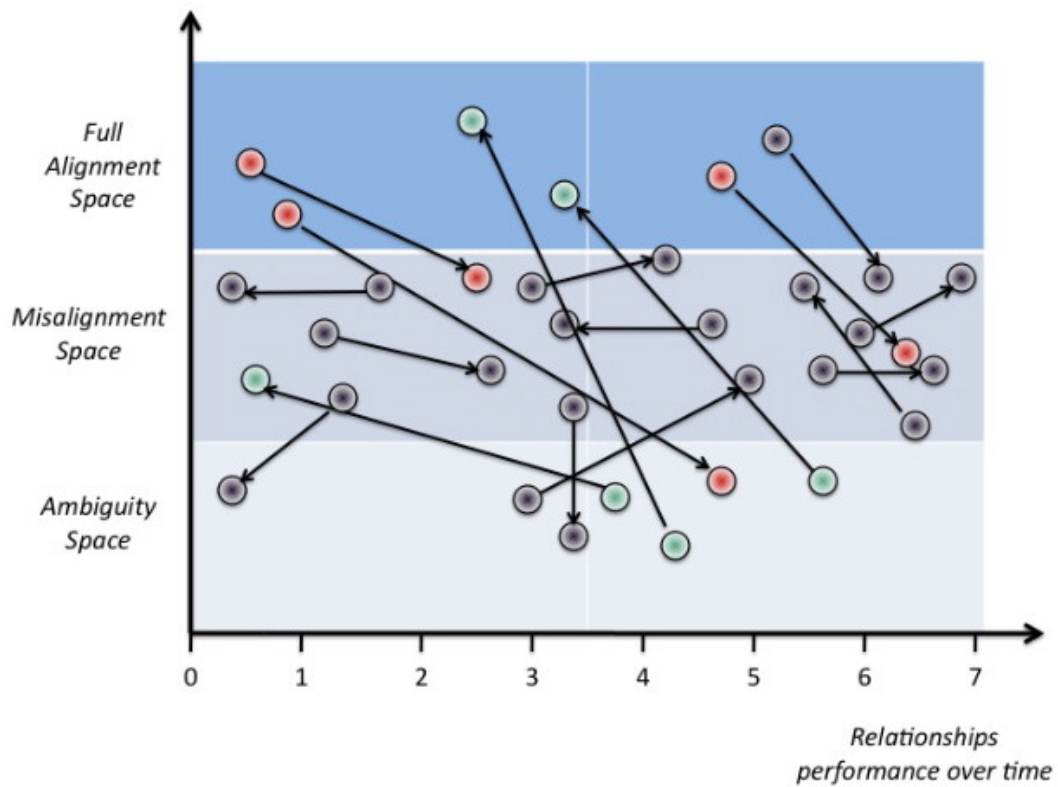
8. No alignment - ambiguity. In this situation, the supplier is not able to conceive and to realize the solutions desired by the customer, or to communicate what is being offered; perhaps there is also a problem in the customer's capacity to recognize his own problem. The relationship appears to be largely accidental, as might be likely in an early phase of a relationship with little experience of mutual interaction. In one of the four cases found to be characterized by such a situation, the customer desired a relationship with consultants highly specialized in the product component and interested in developing extensive personal interaction, but the customer perceived and valued benefits only in terms of product quality. In this situation, the customer declared that the relationship was destined to end, whereas the supplier believed that there were big prospects for future growth.

5.1 Findings: the second study (t1)

After one year we have repeated the first study with the same respondents. We found that the elements which compose the desired and perceived solution received by the customer, and the intended and offered solution by the supplier, have only rarely remained the same. Consequently the relationship states have changed as represented in figure 1. The evidenced is rather interesting because the findings are counterintuitive: there are relationships that moved from an alignment to a

disalignment but have increased their performance (in a red color) and those that are now seen as less performing than before, shifted from a misalignment area to an aligned one (green color).

Figure 1: *Change in relationship states and performance in the relationship*



Tables 2 and 3 illustrate how the states have changed in time, the parties' explanations of the changes occurred, and also respondents' expectations and intentions for the future of the relationship.

Table 2: Relationships that moved from alignment states to misaligned ones and increased their performance.

FROM ALIGN. STATE	TO MISALIGN, STATE	PERFOR.	CUSTOMER REASONS FOR CHANGE	SUPPLIER REASONS FOR CHANGE	CUSTOMER EXPECTATIONS AND INTENTIONS	SUPPLIER EXPECTATIONS AND INTENTIONS
Full Alignment	Ambiguity	+ 2,1	A new business alliance was established (see quotation A)	Recently we have changed our technology scouting strategies and entered the Israeli market (see quotation B)	I know our interlocutor from ten years; we had already worked together in the past. The maintenance of the relationship is strictly related to his capacity of maintaining the quality of his offering over time.	The customer is more and more dealing directly with the vendor, while the relationship should be mediated by us as intermediary/ system integrator. Risks for the future of the relationship may arise from the behaviour of the customer.
	Ambiguity	+3.8	Heart quake in Abruzzo (see quotation C)	Acquisition by another firm (see quotation D)	We will continue to trust the supplier. We think he is going to change his strategy that in the past had shown to be not always effective.	In the future the relationship can continue. The customer will search more rationalization and efficiency than further investments in joint innovation.
	Misalign Desires	+1.5	- The supplier merged with a small company excellent in software development. This alliance, in turn, has created positive reflection on our activity. - The sensibility of our final customers toward security issue has increased, and now they are more committed at investing in it.	- The recent crises has negatively affected almost everybody - The customer is starting to realize that security is not a marginal area in its business activities but rather a strategic one.	Our strategy is not to establish strong relationships with our suppliers; we don't want to be too much dependent from them. If the supplier will continue to generate value for us, then we will certainly maintain him in our portfolio.	Over time many of our activities are going to be overlapped with the ones offered by another supplier of the customer, I think problems can emerge in the future. It is likely that the customer will have to undertake some decisions on that.

Quotation A - The Customer (Zara): "In March Omega has established a new alliance with an Israeli security technology provider; this alliance has generated positive effects on our business, especially with regards to new possible solutions to solve our problems, and the increased level of competences of Omega' consultants, which are learning from the Israeli teams. We are now more and more dealing with these Israeli firms and we think that they could also establish new interesting collaboration with our other suppliers".

Quotation B - The Supplier (Omega): “Innovation is particularly important in the ICT Security; threats evolve very quickly and malicious hackers always find new ways to overcome the security barriers. Israel, mainly for historical reasons, is the more advanced country in terms of security solutions. We are trying to establish relationships with local firms, in order to have the possibility to scout the more up to date security technologies. Our first agreement has been established with a vendor who develops a high value solution, called Skybox. We already know this Israeli vendor from many years and the idea to develop a business together was latent. But we have also stipulated agreement with other important players in the Israeli market. This partnership is becoming stronger and stronger and we are going to develop together the Italian market”.

Quotations C – The customer (Iota): “The terrible heart quake in Aquila has created a situation of emergency, many of our technological infrastructures have been damaged. Now we perceive more than ever how strongly logic security is related to physical one. During this period we increased the interactions with all our suppliers; in situations of emergency you have to trust your supplier even more than in the past, also because there is no time to search for new ones that offer better conditions.

Quotations D – The Supplier (Omega): “In the last year there have been some important events: the supplier has not seen as positive that our firm has been acquired by IBM. He thinks that IBM, being a global provider, will lead our characteristics of excellence to disappear. In our view, thanks to this acquisition, we had the possibility to extend our competences in other different business areas. However, it is also true that now we are less free to undertake decisions, we have to follow IBM’s corporate strategy. However, in the same year even the customer has merged with another bank and notwithstanding this event the relationship still exist and it is even stronger than before”.

Table 3: Relationships that moved toward aligned state and decreased their performance

TO MISAL. STATE	TO ALIGN. STATE	PERFOR.	CUSTOMER REASONS FOR CHANGE	SUPPLIER REASONS FOR CHANGE	CUSTOMER EXPECTATIONS AND INTENTIONS	SUPPLIER EXPECTATIONS AND INTENTIONS
Misalignment	Alignment	-1.3	<ul style="list-style-type: none"> - The solution offered by the supplier was not flexible - We established relationships with new suppliers in the ICT Security area - New technologies are diffusing into the market 	<ul style="list-style-type: none"> - Our interlocutor is very rigid - Strict procedures in the customer firm limit our operations - The customer has not invested enough in the solution. 	I think the relationship is going to end. The supplier is a good one but he cannot cope with the innovation in ICT Security technologies. Anyway, it will be more a gradual process than a radical one.	There are some problems in the relationship at the moment. Its future will depend on both our and the customer capacity to discuss problems in an open way.
Misalignment	Alignment	-2.2	The relationship is not very changing at the moment. The starting has been quite turbulent but now it just "follows the flow".	<ul style="list-style-type: none"> - Recently we introduced a new identity management solution in our portfolio. It has been a big result for us. - New competitors are entering the market, we have to increase our level of specialization. 	I expect the relationship to be maintained in the future, even if now we have not further resources to invest in it.	In the past we had no big problems with the customer, so I think he is definitely going to include us in his portfolio of long-term relationships.
Ambiguity	Alignment	-3.9	There were two main persons with high competences in the supplier firm and one left the company to establish its own firm. (see quotation E)	This relationship had a very slow initial development: therefore many changes occurred in that time, and the contractual conditions initially defined had been revisited (see quotation F).	In the future we will have to test if the supplier is still able to satisfy our needs.	This relationship is one of the most important for our business, therefore our idea is to increase our investment in it. We want to be essential for the customer.

Quotation E – The Customer (Beta): “In the last year one of our key referents in the supplier firm left the company and founded his own firm. This seemed to be an element which could throw the relationship into crisis; on the contrary at the beginning it has driven the relationship to generate even more value especially because the supplier was more careful toward our needs. Over time, however, the lack of that highly specialized consultant has become more evident and pushed us to establish contact with that consultant and his new firm.”

Quotation F - The Supplier (Phi): “The first contact between Mr. x and me occurred by chance. There was a first moment of mutual observation and knowledge. We decided to carry out a first mainframe project through which customer tested us. We carried out a project using a new solution from USA for which we are the exclusive

Italian distributors. Value has grown slowly because interpersonal relationships need to stabilize. In any case, successful projects do not lead to continuous value growth and, after a while the relationship gets steady; in that moment the a customer considers you as a point of reference in a specific business line and you cannot grow anymore”.

6. Discussion

Our study shows how alignments and disalignments arise and how they modify in time in correspondence of changes in business relationships. Alignments and disalignments are expressions of managers’ framing and described in terms of parties’ ideas of customers’ problems and solutions: “Frames shape how problem and solution were defined, and thus which strategic choice was made” (Kaplan, 2008: 736).

Discussion of the findings can be related to three main considerations. First of all, our study shows that disalignments between the parties are common; how actors frame problems and solutions in business relationships differs. Actors build images of business reality, they enact the structure of network in a manner consistent with their own cognitions (Hogdkinson, 2005). There are in fact limits in actors’ capacity to get and process information and to specify what their problems are and what the best ways to solve them. In order to simplify the complexity each actor activates and enacts his own idea of problems and solutions. Perceptions of both problems and solutions are subjective, relative and context dependent as framing states are outcome of previous interactions between the parties involved but also of each of the party with other third parties. Alignments and disalignments are the result of what happens inside and outside the dyad. This makes the ideas of problems and solutions as both time and space specific, and the alignment situational and context dependent.

As interaction in the relationship and in the network occurs in time, actors’ interpretations of problems and solutions change. Interaction leads to a continue process of change and adaptation in actors’ interpretations, which represent the cognitive structures that address firms’ behavior. Through learning actors modify their set of intentions and interpretations, and so their behaviors. Variations in views and heterogeneity are the essence of interaction (Medlin, 2004); the consequence is that that problems and solutions are unstable or, in other words, customers and suppliers

don't know in advance all the possible solution elements. We agree with Heusinkveld and Visscher (2006) who, studying the client-consultant relationship, found out that the construction of problems and solutions is something not predetermined by fashionable organization concepts, but rather it shapes during the process of interaction between consultant and client organization. This though is also supported by Clark and Salaman (1998: 46)'s idea that meanings and identities are produced and consumed through the interaction between guru and client.

From these observations we can derive our first proposition:

P.1: Different framings produce states of alignment/disalignment in managers' interpretations of problems and solutions in business relationships. Since perceptions of both problems and solutions are shaped (enacted) in interaction they tend to be unstable and difficult to predict.

Our second consideration refers more specifically on how alignment relates to the outcomes of business relationships over time; i.e. the link between managers cognition, action and outcome (Schneider and Angelmar, 1993). We observed cases when the performance of business relationships increased even when they moved from a full-aligned state to a misaligned state and, on the opposite side, relationships that passed from an ambiguity to an alignment state have shown have a reduced performance compared than before. In other words, negative economic consequences should not necessarily be associated with disalignment nor can the positive outcomes be related only to alignment. The counterintuitive situations attract attention; they contrast with those contributions, above all congruence theories, according to which similarity between parties is a desired state to reach for relationships to develop; and argue that in alignment situations agreements are reached more easily and a common understanding of aims and objectives is realized (Anderson and Weitz, 1989).

Relational behaviors determine goal alignment, which in turn affect performance outcomes; symmetrical relationships can be more pleasant than asymmetrical ones, as individuals presumably feel comfortable when their attitudes are similar to those of their close partners, and express discomfort in the opposite case. Our findings are also in contrast with the opinion that interacting individuals change their opinions to achieve greater attitudinal congruence, also called *attitude*

alignment (Davis and Rusbult, 2001); we show that individuals change their opinions and reach misalignment states, even when they started from aligned ones.

P.2: Even when alignment between parties increases in time, relationships can face a reduction in their economic content; in a similar way, relationships that pass from an alignment state to a misalignment one can develop over time.

We can derive that alignment in a business relationship does not say enough about how the relationship is going to develop: Can we explain change in business relationships analyzing the gaps between actors' ideas of problems and solutions? The answer that seems to emerge from the study is no. Evidences from our study show that looking at actors' interpretations of what occurred over time in their business relationships can help understanding their future development. Exploring the "reasons" for change as expressed by respondents it provides a better understanding of why the counterintuitive situations described with the previous propositions occurred. In order to understand change in business relationships and networks we shouldn't look only at alignment between parties, but also on how individuals frame events that have lead these problems and solutions to change. In other words, change in business relationships seems to be not only an issue of alignment in actors' framing of problems and solutions, but a wider perspective should be adopted: interpretations also matter for the formation of future intentions and behaviors. If we look at table 2 and 3, we can observe that a higher coherence exists between the reasons for change as explained by each actors and its expectations and intentions for the future of the relationship.

Analysing more in depth and comparing the explanations given by actors with reference to the counterintuitive cases, we notice that some elements emerge as relevant in characterizing them. In particular, the first of them refers to how actors interpret the space dimension of interaction, while the second and the third dimension.

- **Different representations of the surroundings.** In the literature it is quite established the relevance of subjective mental representations of actors' business environments, the so-called network pictures. Network pictures have been defined as participants' views of the network that represent the reality as interpreted by actors; in other words, sense-making tools to understand the context of managerial decision-making in networks (Henneberg et al., 2006). Our study, specifically, sheds some

light on how, even in the same relationship, customer and supplier may indicate different business actors as those that influence the relationship. Sometimes this situation is extreme: one manager indicates as really critical one actor while the counterpart neither mentions it. This heterogeneity in the representations of the environment seems to matter, as each actor is influenced by the actions and reaction of other actors in the network; however, as the study shows, who these others are, is not given.

- **Different time horizons.** Respondents also seem to assign to “time” different “shapes”: some respondents, for instance, include their past stories in specific temporal periods defined by clear time boundaries; others, instead, perceive time more as a flow of events, where it is very difficult to establish the end of one and the beginning of another. In these last situations individuals also tend to mix the past with the present and the future.

Moreover it is also interesting to observe that some managers describe the past starting from the present, while others, on the contrary, start from the past in order to arrive to the present. With respect to this, we wonder if there could be causality between tendencies above described and the process of attribution of meanings to specific events.

We can also observe that some descriptions of events are richer in details compared to others. Rich descriptions seem “to stretch” the individual time horizon in length, while, on the contrary, simpler ones seem to reduce the temporal horizon. Therefore, again we wonder if the individual perceptions of time horizons affect the richness of pictures provided, or if, on the contrary, the capacity to provide rich descriptions of past events shapes individuals’ ideas of time. We already know that human cognition of time is subjective (Medlin and Tornroos, 2004) and also that different perspectives of time for each actor create dissonance in interaction (Medlin, 2003). However, we also notice that there is not much empirical evidence on that.

- **Different perceived paths of critical events.** This element can be considered as a consequence of the previous two. If manager have specific time horizons and idiosyncratic representations of the surrounding, then it is expected that divergences can emerge in determining which events had been critical and how strongly they affected the relationship.

We know that “What is perceived as critical and in need of prompt action depends on the perception and intentions of business actors” (Havila and Salmi, 2000: p. 107) and

also that “Raw signals from the environment are not addressed until firms notice these signals and interpret their causal relationship with the firm” (Nadkarni and Barr, 2008: p. 1401) but at the same time our data show that from managers’ heterogeneous representations of single critical events different path of meanings emerge; each individual connects these events in a different way so as to build working explanations of them.

Luhmann (1979) affirm that events may arise from the external or internal interaction context but, above all, they change human perspective of the possible future. Our study further confirms this idea, and shows that the relationship between events and expectations for the future is not direct, but rather is mediated by actors framing activities, i.e. by how actors have interpreted these events.

These considerations can be summarized in our third proposition:

P3: The way actors interpret the time and space dimensions of interaction seems to depend by different representations of the surroundings, different time horizons, and different perceived paths of past critical events. These interpretations may affect actors’ intentions and behaviours.

7. Conclusion and implications for managers and research

This paper was aimed at exploring if and how alignment between parties relates to change in business relationships. We have seen that the customer contribute to framing the idea of the problems and solutions together with the supplier, but gaps emerge . Managers have different and overlapping views of the present (Medlin, 2004), and each problem is reinterpreted in different ways. The study shows that reaching alignment states can lead to a decrease in the economic performance of the relationship and also that, on the contrary, misalignment states can be characterized by an increased economic performance.

In general studies on change in business networks have often focused on the drivers that cause changes, mainly distinguishing them between internal and external ones. Our analysis suggests the need to move the locus of attention from the drivers of change to the underlying mechanisms that determines them. This is relevant as

strategic action is affected by how managers notice and interpret change (Daft and Weick, 1984); managers' subjective interpretations of the environment precede individual behaviors and actions, mediate the direction that environmental stimuli have on their behavior (Nadkarni and Barr, 2008), and are critical in order to generate future emergent futures (Luhmann, 1979).

Our evidences suggest the phenomenological and interactive nature of change that, not only depends on how individuals perceive and interpret problems and solutions over time, but also on how they interpret the time and space dimensions around these ideas of problems and solutions; change always generates from individuals and their interpretations of what is occurring in their relationship and in the business surrounding. Managers' representations are always unstable and changing as interaction among parties unfolds. These ideas are outcome of previous interactions between the parties involved but also of each of the party with other third parties. Whatever the antecedents of the state of the relationship the misalignments are likely to impact on future interactions between parties that in turn produce changes in any of the elements we used to characterize the state of interaction.

Our study also provides further empirical support to those who sustain that theories on relationships life cycles are meaning laden: "Rather than attempting to manage changes in the 'state' according to belief in a relationship life cycle, managers should continually focus on the intensions and expectations of each party and the process and outcome of interaction" (Medlin; 2004: p. 191). There isn't a unique temporal code characterizing relationships, and therefore business relationships don't follow life cycles (Halinen 1998); as our analysis also demonstrates, there are only states that, on the contrary of cycles, are undetermined and unpredictable like, nevertheless, also the consequences arising from interaction are.

Limitations of the study can be used as directions for further research. In particular, even if we argue that the different interpretations of the time and space dimensions of interaction can have a role in affecting the development of the relationship, at the moment we are not able to say more on this relationship. We need studies with better constructs and broader empirical base. Moreover we think that the idea of alignment and misalignment in actors' interpretations could be used to enrich relationship portfolio model.

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