

## **ACTORS' IDENTITY IN BUSINESS RELATIONSHIPS**

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### **Abstract**

Actors have a prominent role in business relationships between supplier and customer organizations. They are important for how resources become combined and interfaced and activities configured in a relationship. How actors interact, act and react, and how the interaction unfolds, determines how the relationship will develop. It is generally assumed that actors' behaviors in interaction reflect the mutual representations of the interacting actors. We focus therefore in this paper on the mutual representations of identity and argue that this is a process that is central in explaining how business relationships develop.

Empirically, the paper is based on data on 32 customer relationships of a large international industrial business. In all we have 128 observations on 32 relationships: 64 pictures of counterpart identity prior to interaction event and 64 pictures of counterpart identity after the interaction event.

Our findings suggest that the mutual representations of actors' identities in business relationships have two properties: they are relationship specific and continuously emergent. . As a consequence every business tends to have multiple continuously changing identities. In the final part of the paper we examine the consequences of our findings for the concept of actor, discuss how it affects the task of management, and consider briefly the implications of our findings for further research.

Key-words: actors, identity, interaction, business relationship,

## 1. Introduction

The IMP research tradition has put at the centre of the attention interaction between organisations in business relationships. Having observed that in business markets relationships matter both for single businesses and for the development of the business network (market) at large, the question arises: how do these relationships emerge and develop, and why do they eventually decay and dissolve.

Past research has shown that in a business relationship connecting two organisations a complex set of resources needs to be interfaced, elaborate patterns of activities need to be coordinated, and numerous individuals are involved in the process, acting and mutually influencing each other (Håkansson & Snehota, 1995). Earlier research suggests that interaction is a critical process for the formation of relationships and that the development of business relationships depends on how actors involved in the relationships interact (Håkansson & Ford, 2002; Håkansson et al., 2009; Ford et al., 2010). We use the broad concept of interaction suggested by Goffman: “An interaction may be defined as all interaction which occurs throughout any one occasion when a given set of individuals are in one another’s continuous presence” (1959, p. 15).

The way actors behave, act and react in their interactions appears to depend on how they interpret each other’s features and characteristics. They form expectations about what the other party can and is willing to do, and what it can offer. The conduct in the interaction is thus dependent on what the actors represent to each other, which is how they see each other. Actors representing the two organisations act under considerable ambiguity and uncertainty and apparently represent variable entities to each other.

In this paper we use the concept of identity to denote features and properties that the other actor(s) attribute to the actor when they interact in a relationship. We adopt the idea of identity used in the IMP tradition that “a company has to acquire the identity (meaning) of an actor in the eyes of others” in order to become an actor (Håkansson & Snehota, 1995 p. 195). Empirically we will discuss how actors see each other using the concept of representation that appears to be common in behavioural studies and evokes, in our opinion, the active role of the actor in forming the representations of others.

Earlier studies of interaction in business relationships following the IMP tradition are consistent with and in part have been drawing on studies of relationships and interactions in sociology and organizational studies (e.g. Thibaut & Kelley, 1959; Goffman 1959, Weick, Sutcliffe & Obstfeld, 2005; Håkansson, Harrison, & Waluszewski, 2004). These earlier studies view business relationships as interlocking of behaviours of various actors. Because the actors’ acts interfere, how a relationship develops cannot be deduced or explained from one actor’s intent and planned behaviour. Indeed, the interdependence endemic for any relationship means that each of the actors must give up some of their own autonomy (Thibaut & Kelley, 1959).

Studies of interaction and relationships point out that actors’ knowledge, even if extensive, is always limited, so much the more because interaction always involves time dimension, expectations and data from past experience. Several studies share the argument that because of the limits on actors’ cognitive capacity, actors tend to impose interpretations that make the situations manageable for them (Weick, 1979; Loasby, 2001). How relationships develop will then depend on how the actors process and elaborate data, form opinions and make sense of the context and of each other (Weick, Sutcliffe & Obstfeld, 2005).

When we assume that an actor’s subjective interpretation of the actions of others is the basis for that actor’s actions in interaction (Ford & Håkansson, 2006) what plays an important role in shaping the actual behaviours in interaction is how actors elaborate,

interpret and enact the stimuli rather than the actual features of the context. That also means that how actors interpret each other is a critical process in how relationships and networks evolve. What the actors mutually represent - mutual interpretations of behaviours and thus attribution of identity to the counterpart - originates in moments of interaction. While actors' interpretations of others shape their behaviours in interaction, the same interpretations are also a product of the interaction (Weick, Sutcliffe & Obstfeld, 2005). How actors see each other changes as a consequence of their respective actions and reactions.

There's a growing consciousness in the marketing literature in general of the relevance of relationships, and an increasing interest in interaction processes (Vargo & Lusch 2004; Gronroos, 2007a; Palmatier et al., 2006; Ramani & Kumar 2008). However, there are no studies we know of that explicitly address the issue of actors' role in interaction and of the interaction process. Even research that has relationship marketing at its centre, tends to focus more on antecedents and consequences of relationships (e.g. Ulaga & Eggert, 2006; Lindgren & Wynstra, 2005), than on actually exploring the processes underlying the formation and development of relationships. Even in the IMP, while the actor perspective is common, there appear to be fewer systematic studies of the actor dimension than for instance of the resource and activity dimensions. Our study aims to make a contribution to closing this research gap. We are set to explore how interaction reflects and forms actors' identities, which we take for a key process in relationship development.

Our primary interest in this paper is the process of interaction in business relationships and the role of actors in the interaction process. Our main *research topic* is how actors see the identities of counterparts with whom they interact in business relationships. This study deals with the process of mutual representation of identities in interaction and the effect of this process on the development of business relationships between organizations.

On bases of a literature review and findings of an empirical study of 32 relationships over time, we will argue that the mutual representations of identities tend to be relationship specific and change from interaction to interaction. We examine then the consequences of the findings and in particular implications of the changing multiple identities of actors for management practice and research. We conclude the paper by considering consequences of our findings for the concept of actor and the task of management and discuss briefly implications for further research.

The rest of the paper is organized as follows: in the next section we review past research on actors in interaction in business relationships. In section three we present the results of an empirical study of mutual representations of actors' identities in business relationships and how they change over time. Section four is dedicated to the discussion of our findings and their implications. We conclude the paper by a brief section five on further research on the actor dimension of business relationships.

## **2. Past research on actors in business relationships**

There are several themes that emerge in the past research in the IMP research tradition on business relationships that concern the actor dimension. The past IMP research is inspired by research that has dealt with relationships in sociology and organizational studies. We will concentrate in particular on three broad themes: The first is the interactional substance of relationships; relationships as interlocking of behaviors rather than an attitude. The second regards the role of relationships and of the interaction processes that make up relationships for the various parties involved and implicated. The third broad theme concerns the features of the process of mutual representation that underlies interaction behaviors of actors in business relationships.

## 2.1 The substance of business relationships and the behavior of actors

While in management studies it has been rather common to consider buyer seller relationships as equivalent to continuous co-operative relationships, the approach in the IMP research has been to define relationships as interlocking of behaviours and different facets of interaction connecting of resources, activities and actors.

Early research on relationships in sociology and in particular the work of Thibaut and Kelly (1959) and Kelly and Thibaut (1978) and in game theory on actors' interaction (e.g. Axelrod 1982) has shown how relational outcome originate in interaction of actors rather than being a product of behavioural intentions and plans. Therefore, how a relationship develops cannot be inferred or explained from a single actor's intent because the counterpart's behaviours interfere with the behaviour of the actor. That creates interdependencies that are endemic for relationships and implies that actors in interaction give up some of their autonomy.

Considering actors from relational (or interaction) perspective highlights the limited autonomy of individual actors. Actors are free to choose how to behave, but only in principle because its behaviour always arises from the combination of its own behaviour with that of the counterpart. Because an actor's behaviour is conditional on the behaviours of others, the actor can never fully control the outcomes of its own action, and its autonomy to act and react, and as a consequence the control over outcomes, is restricted.

Actors selectively develop bonds with other actors (Håkansson & Snehota, 1995) and every actor develops more or less strong bonds with a relatively limited number of other actors. Actor bonds concern mutual orientation, preferences and commitment, but also involve the other two layers of business, namely activities and resources, own and those of the counterpart actor. Through bonds with other actors, the actor acquires knowledge about the resources, activities and intent of the counterpart that underlie the actor's behaviour. Actor bonds, their resources and activities are embedded in each other and this embeddedness leads to the uniqueness of each actor and of each relationship.

“Jointness” and “co-evolution” are two concepts used to refer to the idea of actors as a variable entity in each relationship in the IMP research tradition (Håkansson et al., 2009). Jointness refers to the proposition that the identity of an actor cannot be separated from that of others with whom the actor interacts; “these others are part of the identity attributed to an actor in an interacted environment by association (an actor is always seen in relation to those it interacts with) and by usage (an actor always makes use of the resources of others in order to operate)” (Håkansson et al., 2009, p. 141). The counterpart is not only important in defining who is an actor. Interacting actors are engaged in organizing the web of actors, the constellation of resources and the pattern of activities. Organizing of the network is jointly enacted. How networks of relationships are “organized” affects how the resources and activities that are present and going on elsewhere in the business network can be accessed and connected to those of an actor and be of use to the actor.

The “jointness” of actors has at least three important consequences. The first is that an actor is simultaneously engaged in different relationships. That means its identity comprises several (many) diverging attributions, and business actors acquire a multifaceted identity rather than a uniform one (Håkansson et al., 2009, p. 143). The second consequence regards the entity involved in interaction. If only one individual is involved as an actor in interaction with the counterpart, it can be viewed as acting in its own interests, as a departmental representative, or as an agent for the whole company. This can be seen as an opportunity because the ‘personification’ of interaction can facilitate bonding, but it can also be a problem, since the relationship becomes dependent on the employment of this individual. The

third consequence stems from the exclusiveness of actor bonds. Forming strong bonds with some counterparts tends to interfere with, and can even preclude, forming bonds with others. Strong bonds require heavy commitment, and therefore there is a limit to how many bonds an actor can handle.

The IMP research here is consistent with considerations in the interactionism tradition in social sciences that holds that interaction plays an essential role because it is the process that forms human conduct. In their interactions with one another, humans must take into account actual and potential actions.

“Human beings in interacting with one another have to take account of what each other is doing or is about to do; they are forced to direct their own conduct or handle their situation in terms of what they take into account. Thus, the activities of others enter as positive factors in the formation of their own conduct; in the face of the actions of others one may abandon an intention or purpose, revise it, check or suspend it, intensify it, or replace it. The actions of others enter to set what one plans to do, may oppose or prevent such plans, and may demand a very different set of such plans. One has to fit one’s own line of activity in some manner to the actions of others. The actions of others have to be taken into account and cannot be regarded as merely an arena for the expression of what one is disposed to do or sets out to do” (Blumer 1969, p. 8).

While jointness refers to actors’ interaction in the space dimension there is always also a time dimension to the interaction. The history of an actor is affected by the problems it faces over time and the resources and activities it uses to address its own problems. An actor’s identity is an ongoing construction process that involves counterparts who construct an actor’s identity from their own perspective; the actor’s identity evolves through history and it is affected by expectations of the future. In the IMP research we found attempts to explain this ongoing construction process. Co-evolution is what characterises actors’ evolution over time (Håkansson et al., 2009, p. 144).

A related issue is that of the relational entity and the entity of an actor. The theme has been an important one not only in the IMP research but in the interactionism stream of research in sociology as well. Indeed a basic assumption of symbolic interactionism is that “human group or society exists in action and must be seen in terms of action” (Blumer 1969, p. 6). Business relationships are made of patterned interaction in three dimensions – actors, activities and resources (Håkansson & Snehota, 1995). Also the entity of an actor is the actor’s action. This idea has implications that are relevant for our purpose and helps to resolve the problem of the entity of an actor in the initial IMP research that postulated a duality of actors – as individuals and as organizations. Organizations, as much as individual actors, from interaction perspective are not a sum of features or a sum of individual actors or members. At the same time the individual actors are not the “individuals” but when they interact in business relationships they represent a more complex organized entities – are agents for, for instance, organizations. That leads us to consider the theme of actor’s entity and identity.

To sum up what emerges from the past research on business relationships and the actors is that relationships and the interaction within relationships matters for the actors involved. It implies jointness of their behaviours which limits their autonomy. Considering the concept of actor from the perspective of interaction also implies that one cannot explain how interaction will unfold or what its outcomes will be from the intent and conduct of the actors in isolation. Outcomes of an actor’s behaviour in interaction depend on how the counterpart interprets that behaviour and by the reactions it produces. Outcomes originate in joint behaviours.

## 2.2. The entity and identity of actors

Considering actors from the perspective of interaction requires rethinking the concept of actor and presents various challenges. We can borrow from Goffman (1967) the statement that encapsulates the essence of such a task. He observed that to consider actors from interaction perspective is not about “men and their moments” but rather about “moments and their men” (Goffman, 1967, p. 3).

It links to the question who can be considered an actor and why. In most of the social sciences and in economic theory actor is defined as an entity capable of rational and purposeful behaviour. This means that an actor is actor because capable of acting on purpose and intent derived from an assessment of the context. From the perspective of the interaction process an actor appears in a different light. Clearly, it is not only purposeful behaviours that can matter to other actors, but also routine or ritual behaviours that can generate interactions and produce tangible outcomes for others and the actor himself. An individual entity can be conceived as an actor without necessarily assuming that it is capable of rational and purposeful behaviour. In business relationships “an actor acquires an identity in interaction with others because its behaviour, regardless of the motives or underlying reasons for it, is a matter of concern to or affects another” (Håkansson et al., 2009, p. 138).

Reflections on the interactive role of the actor are applicable not only for individuals but also for organizations because for both applies that they can become actors in the eyes of the beholder. In each context, the behaviours of the two parties interact, affecting both the actors and the evolution of their behaviours. What makes it problematic to conceptualize the identity of actors from the interaction perspective is that the entity of an actor cannot be taken for granted. It is not a priori given and only emerges through the interpretations of the counterpart (Håkansson et al., 2009, p. 139). An entity becomes an actor when its acting is of concern and interest to others – the counterparts in interaction. In business relationships individuals as actors are agents representing larger organized entities. They represent organizations or part of organizations, always a combination of various resources, activities and actor elements.

What follows is that, rather than with actors, we are dealing with “inter-actors” that take the role of the actor in a specific interaction process. The entity of an inter-actor is different from that of an actor if we think of the actor in its entirety. It can perhaps also be expressed in the way that the identity of an inter-actor is actually only a facet of the actor that appears in a specific relationship and interaction process.

While the position of symbolic interactionism regarding the interactive nature and interdependences in actors’ conduct is close to the IMP perspective on business actors and their behaviours, both appear rather distant from the atomistic principle of economic man in the classical economic model (e.g. Smith, 1976). It is the independence that distinguishes the “economic man”, an archetype of actor in the business context according to the mainstream economic theory that inspired, and continues to inspire management studies. The interaction perspective leads us to enquire why the “activities of others enter as a positive” factor in the formation of others’ conduct. What interaction processes influence perceptions and thus behaviours of the (inter)actors? The interactionism school suggests that a central role is played by the processes of the construction of the self that “emerges from the process of social interaction in which other people are defining a person to himself [...]” (Blumer, 1969, p. 12).

Following the interactionist perspective the self is not inherent to the person but is created from social encounters. Therefore it is useless to look for the self inside the individual. In attempting to assess and interpret the self it is better to start working from the

outside to the inside of the individual, rather than vice-versa. The same individual projects different images of himself or herself in different situations since he or she behaves in a different way, decides on a role and enacts it. The individual can also take the distance from an image of the self, which is projected in a specific role only because he or she has many different roles. It is the different other roles that enable him or her to express his or her self and the self is created by the contrast among different roles.

The idea that human beings are not endowed with a self but develop a self is the key idea of Mead (1962). “The self is something which has a development; it is not initially there, at birth but arises in the process of social experience and activity, [...] as a result of his relations to that process as a whole and to other individuals within that process” (Mead, 1962 p. 135). Mead argues that the self is a process with two elements – the “I” which is unknowable, because it is inner, and the “Me” which is outer and created in the social phase and therefore more knowable. “The ‘I’ is the response of the organism to the attitude of others; the ‘me’ is the organised set of attitudes of others which one himself assumes” (Mead, 1962, p. 175). Therefore the self is essentially a social structure, since people come to know who they are and who others are through interaction with others, therefore it is the “me” that is closest to the concept of identity.

All actors simultaneously perform a range of roles in interaction with a set of different counterparts and/or in different contexts. That makes it complicated to anticipate the outcomes of an interaction and to define the *self* performed in each specific moment. The self is not fixed or prescribed; rather it is constantly negotiated between individuals as they interact. The idea of multiplicity of roles has also been discussed in an IMP research analysing socio-economic behaviour (Ford, Cova & Salle, 2010) arguing that “in a contextual view of socio-economic life [...] Each actor faces a multiplicity of different contexts, counterparts and a variety of their own issues as well as those of others. An actor’s experiences, the issues it faces, its own expectations and those of others lead it to perform different roles in specific contexts and episodes at particular points in time” (p. 17). Similar argument can be found elsewhere in the IMP research and in the research on market practices inspired by the Actor Network Theory (e.g. Araujo, 2007; Anderson, Aspenberg and Kjellberg, 2008; Finch and Geiger, 2010).

### **2.3 Interpreting others – making sense of self and others**

Attempting to sum up the basic tenets of interactionism, Blumer (1969, p. 2) affirms that interactionism is based on three simple interrelated premises. The first is that “[...] human beings act toward things on the basis of the meanings that the things have for them”. The second is that meaning arises in interaction with others and that “the meaning of such things is derived from, or arises out of, the social interaction that one has with one’s fellows”. The third is that the interpretation process on the part of the actors is central because “meanings are handled in and modified through, an interpretative process used by the person in dealing with the things he encounters.”

That brings us to consideration as to what processes are shaping actors’ behaviours. The IMP research has addressed the issue and by and large sides with a stream of research in social psychology labelled as social cognition of “sensemaking” which has addressed the issue of how behaviours in interaction arise. The sensemaking stream of literature is rich in observations on how actors interpret their contexts and other actors. The core argument in the sensemaking literature is that behaviours of actors in interaction reflect *how* actors think rather than what they know. This idea implies that relationships develop as a consequence of how interaction between two parties unfolds, regardless of the knowledge, rationality and motivations of the interacting parties (Thibaut & Kelley, 1959).

Considering the time dimension interpreting and making sense of the context cannot be isolated from acting. An important argument is that sensemaking cannot be disjointed from enactment, defined as the process through which individuals produce part of the environment they face (Weick, 1995, p. 20). Action is crucial for sensemaking because actors do not react to pre-existing stimuli but rather receive stimuli as a result of their own activity. This idea has long roots in social psychology. Indeed it has been observed that “we are neither the master nor the slave of our environment. We cannot command and the environment obey, but also we cannot, if we would speak with the greatest accuracy, say that the organism adjusts itself to the environment, because it is only part of a larger truth” (Follett, 1924, p. 118).

Sensemaking implies relating: “As we perform a certain action our thought toward it changes and that changes our activity ... we must give up the expression ‘act on’, object act on subject ... I never react to you but to you-plus-me; or to be more accurate, it is I-plus-you reacting to you-plus-me. ‘I’ can never influence ‘you’ because you have already influenced me; that is, in the very process of meeting, by the very process of meeting, we both become something different” (Follett, 1924, p. 62-63). The important aspect is that “sensemaking is never solitary because what a person does internally is contingent to others. Even monologues change as the audience changes” (Weick, 1995, p. 40) and “grounded in both individual and social activity”, that are not easily separable (Weick, 1995, p. 6).

Sensemaking and identity construction are social processes because sensemaking begins with a sensemaker and this sensemaker is social because of interactions with others. Identities are constructed through interactions and “to shift among interactions is to shift among definition of self” (Weick, 1995, p. 20). As a consequence the sensemaker is not a given an entity; rather, he/she is “an ongoing puzzle undergoing continual redefinition...” (Ibid, p. 20). To talk about sensemaking, understood as a process, is to talk about reality as an “ongoing accomplishment that takes form when people make retrospective sense of the situations in which they find themselves and their creations” (Weick, 1995, p.15). Using the word “ongoing” (Weick, 1995) implies that sensemaking never has a given beginning nor end – it has no start.

Weick also emphasizes the strict relationship between the two (continuous) levels: “sense may be in the eye of the beholder, but beholders vote and the majority rules” (1995 p. 6). This idea implies that depending on whom one interacts with, a person presents “some self to others” – his identity – “trying to decide which self is appropriate”. At the same time, depending on the self I’m presenting, the “definition of what is ‘out there’ will also change” (Weick, 1995, p. 20). Moreover, out of the continuous flows, people chop moments and extract cues from those moments; to understand sensemaking is to be sensitive to this process. Extracted cues are “simple, familiar structures that are seeds from which people develop a larger sense of what may be occurring” (Weick, 1995, p. 50). The use of the term “seed” is not casual but it intends to “capture the open-ended quality of sensemaking when extracted cues are used .... A seed is a form-producing process that captures much of the vagueness and indeterminacy of sensemaking” (Weick, 1995, p. 50-51).

Context plays an important role in the process of extracting cues and affects both what is extracted as a cue in the first place and how the extracted cue is then interpreted. But the sensemaking is not driven by accuracy but rather “is about plausibility, pragmatics, coherence, reasonableness, creation, invention, and instrumentality” (Weick, 1995, p. 57). We can argue that “once people begin to act (enactment), they generate tangible outcomes (cues) in some context (social), and this helps them discover (retrospect) what is occurring (ongoing), what needs to be explained (plausibility), and what should be done next (identity enhancement)” (Weick, 1995, p. 55).



Finally, sensemaking is distinctly retrospective. The idea is that people can know “what they are doing only after they have done it” (Weick, 1995, p. 24) and sensemaking is related to “meaningful lived experience” (Schutz, 1967). Since we can never know the beginning, a plausible stimulus can be defined only when a response occurs (Weick, 1995, p. 26). Meanings are not attributed once for all, meanings change as projects undertaken and goals pursued change (Gioia & Chittipeddi, 1991, p. 27). Thus, there are too many meanings, and the problem the sensemaker faces is not ignorance but confusion (Weick, 1995, p. 27).

## **2.4 Actors’ identity and image in business relationship**

The distinction between identity and image is sometimes presented as clear-cut in the management literature, and a rather clear taxonomy has been proposed defining identity and image, projected identity, reputation etc. (Brown et al., 2006). On the whole identity tends to be given the meaning of what insiders – individual members - believe about the organization, whereas image (or reputation) relates to outsiders’ perception of the organization.

However, the consensus on the distinction is rather weak. When we approach the issue from the relational perspective the distinction between the identity and image of an organization becomes blurred and the two concepts appear to flow into each other. It has been remarked that “...the images formed and held by the organizations ‘others’ are ... defined by ... the outsiders’ own perceptions (their images), and it is our view that these organizational images are brought directly into identity processes ...” (Hatch & Schultz, 2000, p. 995). The interrelationship between identity and image was also discussed in terms of “adaptive instability” (Gioia, Schultz & Corley, 2000): “instability of identity arises mainly from its ongoing interrelationships with organizational image, which are clearly characterized by a notable degree of fluidity” (p. 64).

The strong role of image is recognized by the post-modern view that suggests dissolution of identity in favour of image. In fact, in the post-modern portrait of contemporary organizational life (Hassard & Parker, 1993) not only does identity mirror the images of others (Hatch and Schultz, 2002, p. 998), but image comes to dominate. Identity is transformed into “image without identity” (Perniola cited in Gioia et al., 2000, p. 72). Following this idea and Goffman’s conception of the Self, we treat identity in interaction as inseparable from image.

Interaction in business relationships involves two entities (rather than levels): the individual, and the organization. We explore identities at the individual level (even if from the interaction perspective) but cannot avoid the question of how the organizational level plays in. Clearly, it is a challenging question open to debate in the literature. Taking the interaction perspective actors are perceived as agents that represent the organizations involved. The distinction individual vs. organisation becomes fuzzy. It has been argued that

“when we look at individual behaviour in organizations, we are actually seeing two entities: the individual as himself and the individual as representative of his collectivity ... Thus, the individual not only acts on behalf of the organization in the usual agency sense, but it also acts, more subtly, ‘as the organization’ .... As a result, individual behaviour is more ‘macro’ than we usually recognize” (Chatman et al., 1986, p. 211).

In business relationships in particular, the importance of the organisational component of an actor’s identity becomes evident (Levitt, 1965). When identity is ascribed to an agent (actor) by another actor it is always about what the counterpart represents in relation to what the actor is, and is interested in. When we analyse business relationships we observe how customers and suppliers perceive each other’s roles. The two roles are different because the

counterparts' expectations are different. The formation of the reciprocal perceptions recalls to the mind concepts like organizational identity and organizational image. This brings us to the idea of the relational nature of identity.

## 2.5 Relational identity and roles

There is an agreement in the literature that organizations define the boundaries of their identity according to the parties involved in social relations (Child & Rodrigues, 2003; Gioia, Schultz & Corley, 2000) and that relationships with the external constituencies are central (Kennedy, 1977; Dowling, 1986; Fombrun, 1996; Balmer, 1998; Stuart, 1999; Rindova & Fombrun, 1999; Rindova, 1997). Relationships established by an organization with various and diverse others offer multiple classifications of organizational identity. The concept of "relational identity" has been proposed and defined as "the goals, values, norms, and so on of the respective roles as well as the more or less unique ways in which the individuals enact the roles" (Sluss & Ashforth, 2007, p. 9).

It is argued that based on the role perspective, two different components of relational identity can be identified (Sluss & Ashforth, 2007, pp. 11-12):

"one individual's role and person-based identities as they bear on the role-relationship, and another individual's role- and person-based identities as they bear on the role-relationship. A role-based identity is the goals, values, beliefs, norms, interaction styles and time horizons typically associated with the role (Ashforth, 2001) ... a person-based identity is the personal qualities of the role occupant that bear on the enactment of the role-based identity" ... the role-based component draws on the collective level, focusing on prototypical role occupants. The person-based component draws on the individual level, focusing on the more or less unique ways an individual may enact a given role-relationship."

Because of the simultaneous involvement of an actor in several different relationships, an important aspect of relational identification has to do with "the partial definition of oneself [the focal individual] in terms of [the] role-relationship" (Sluss & Ashforth, 2007, p.15). Some studies show that such multiple identities coexist, depending on an individual's role and relationships (Sluss, 2006; Sluss & Ashforth, 2007). Borrowing the constellation metaphor Sluss (2006) argues that: "... individuals potentially deal with a welter of identifications at work ... individuals tend to integrate multiple identifications, this beginning the formation of a constellation of identifications" (p. 62).

These studies offer support to the idea that identity formation and identification are relational processes and show the complexity of the interrelationship between identity and image. The idea of a "partial definition" of oneself (Sluss & Ashforth, 2007) hints at the problem we are set to investigate in our study; dealing with identity in relationships means dealing with a partial inclusion of self that changes with the change of the moment and the relationship.

The relational identity concept (Sluss & Ashforth, 2007), relates to the Role Theory that is indissolubly related to interactionism. It also evokes the argument that the purpose and meaning of a role depend on the network of complementary roles within which a relationship is embedded (Biddle, 1979; Katz & Kahn, 1978). Indeed, the two concepts are so intertwined that "to use the term role is necessarily to refer to interaction" (Stryker & Statham, 1985, p. 323).

The notion of relational identity is certainly relevant when we examine the roles that parties assume in business relationships. There are two roles in particular that are of interest in business relationships: one is the customer role; the other is the supplier role and both are relational. (Other roles that can be identified in business relationships include partner,

consultant, facilitator, intermediary). The challenge is to identify what the fundamental components are – if there are any – of these two relational identities. This translates into the question, what are the dimensions that matter for the role of the customer and that of the supplier in the eyes of their counterpart?

While the relational nature of identity appear to be acknowledged in the literature, a more systematic discussion of the identities in business relationships is difficult to find. There is no discussion of the dimensions that matter for the counterpart of the customer and of the supplier role respectively.

Drawing on the distinction between the role-based and person-based identity above, in relation to business relationships we can assume that the customer and supplier role has two aspects that matter for identity attribution. The first regards the attributes that, to some extent, are characteristics of the actors, and we refer to these as (organizational) personality's traits. This facet evokes the person-based identity concept of Ashforth (2001). The second regards performance related to the role of the customer or supplier, respectively. It is akin to the role-based component of identity of Ashforth (2001). We will refer to this facet as customer/supplier (performance) quality.

The overall identity of the customer and supplier roles cannot be objectively given and is not homogenous across relationships. Rather it originates in the relational context of the actor. This line of reasoning applies to both the personality and performance components of the role. Customer/supplier quality of an actor, similar to what has been argued for value, tends to be “uniquely and phenomenologically determined by the beneficiary” and therefore “idiosyncratic, experiential, contextual, and meaning laden” (Vargo & Lusch, 2008, p. 7).

## **2.6 Interaction's actors**

When we approach and conceive actors from the perspective of interaction in business relationships the concept of actor acquires significantly different contours and meaning than what is common if we start from a given actor such as an individual or a company. What we face is a problem to consider “interaction's actors” that is actors as they can be defined in interactions. To conceive actors from interaction perspective represents a considerable conceptual challenge. A fully fledged concept of the interaction's actor is yet to be developed. What we have at the moment are but a few building blocks of such a concept. Drawing on the literature reviewed above the interaction's actor has a few distinctive features:

The first is limited control over the results of their actions. The outcomes of their actions in interaction are conditioned by the reactions of the counterpart. In interaction actors' actions are interdependent, and in that sense, their autonomy of action is always limited. A second feature of the interaction's actors appears to be the unclear, relative and changing boundaries because actors are defined by the perceptions of those with whom they interact. This means that the concept of actor, defined from action as perceived by others, is never defined a priori, and can only be defined with reference to a specific relation and interaction process and to the moment in the interaction process. In that sense the identity of the actor (and thus the entity) is relationship specific, dependent on the counterpart, and changing, dependent on how the interaction develops. That also means that in interaction actor is a changing and emergent entity. It is this feature of the actor that we will investigate in particular in our empirical field study. The third feature depends on that every actor has multiple relationships and engages simultaneously in several interaction processes. Every actor has thus multiple identities which depend on the relationships it is involved in and, possible role expectations of others. Corollary of the interdependence and of this multifacetedness is that outcomes of an actor's action are “collectively dependent”. That

applies also to the economic outcomes of any business. The economic and financial performance of any business is largely dependent on collective action going on elsewhere in the network context of the business and never fully under the control of the company. That leads us to the fourth characteristic of the inter-actor: actors are the product of their interaction. Not only are their identities defined in interaction with others but to the extent they interact and their conduct evolves as interaction unfolds, their features tend to be shaped by the interactive relationships and the interaction processes in which they engage. Their identity emerges in each single specific interaction process and their features and characteristics are shaped by the relationships they have. For business actors this means that their capabilities and potential, as much as the economic outcomes, originate in interaction and therefore always evolve as the various interactions develop.

In sum, we believe that “interaction’s actors” is the notion that probably best captures the specificity or the concept of actor defined from the perspective of the interaction process. The empirical study offers a background to the above features that, we argue, characterizes the concept of an actor when we approach it from how they appear when interacting in business relationships.

### **3. The Empirical Study**

In the above section we discussed the reasons for investigating how actors attribute identity to their counterparts when interacting in business relationships and argued that the process is crucial for how the interaction process unfolds. The interest in how actors form opinions and interpret what the interaction counterpart stands for and can be expected to do, appears motivated. In fact, we assume, as much of the literature does, that interpretations of the counterparts’ “identity” and resulting expectations about the counterparts’ behaviour orient the behaviours in interaction and thus largely determine how the relationship will develop. We argued thus that how parties mutually attribute features that sum-up their respective identity is a process that explains relational outcomes. While the arguments in the literature appear of interest and convincing more systematic empirical accounts of actors in interaction in business relationships is missing. Most of the empirical evidence we find in the literature is episodic. It may also reflect the fact that design of an empirical study that takes the interaction perspective is demanding.

#### **3.1 Investigating representations of actors in business relationships**

We refer extensively to psychology and social psychology studies because their tradition is the study of relationships. However, more recently research that takes practice perspective and elaborates on the link of acting and knowing provides also some valuable impulses (Thompson and Fine, 1999; Araujo and Brito, 1998; Orlikowski, 2002). Review of the past research makes us to conclude that the importance ascribed to interaction processes in the literature calls for a major effort to understand better their complex nature. Reviewing the current research we came to formulate two broad research issues that oriented our research. The two research issues can be formulated as two propositions that regard how identities are perceived by actors “in time and space”. The two propositions that we found to emerge in the literature regard what happens to the identity of actors over time and across their relationships.

The first of the two propositions is that *identities of actors in interaction are always emergent, changing from interaction to interaction*. It regards the question how the identities mutually attributed by actors relate to the interaction process. What emerges in the literature

is that the identities attributed are fluid and emergent. This reflects that they are formed as consequence of own and others behaviours. Therefore, rather than constituted once and for all and enduring, they tend to be continuously enacted and re-enacted. This means identity is perceived and interpreted differently, depending on the specific situation in which the actors interact. At the same time, however, the link of attributed identity to behaviour in interaction is also that the identities attributed orient actor's conduct. Therefore the topic of the mutual attribution of identities is central to explaining relationship development.

The second proposition that we can derive from the past research is that the *identity attributed to an actor is relationship specific*. In other words the argument recurrent in the literature appears to be that, also because of the emergent nature of it, the identity attributed reflects the features of the interaction process and of the counterpart. In a broad sense every interaction has different actors. An actor taking part in several interactions will tend to have several identities. Referred to the business context the issue is that it can be assumed that different customers/suppliers attribute different identities to the one and same supplier/customer. There seems to be an agreement in the literature (scarce and limited) that this should be the case.

Both propositions that we derive from the past research on interaction in relationships and the role and identity of actors are based on arguments that appear convincing and appealing. They appear consistent with the concept of actors as it emerges from research that approaches actors from the interaction perspective. While they are intuitively appealing, (and thus perhaps not surprising) they contrast with the conventional way to consider actors and their identities (e.g. Brown et al. 2006) which tends to consider identity, image and reputation of actors as more or less enduring and largely valid also across different relationships. The latter follows from approaching the issue of actors and their identities from the perspective of actor as the focal unit of analysis.

Turning back to the past research that leads to the two propositions we find that while the arguments are convincing, the available empirical evidence is mostly episodic. We did not find more systematic empirical evidence that would support the two propositions. That is the main rationale for our empirical study: To produce empirical evidence that could be related to the two above propositions. The scope of the study was to collect data on mutual representations of identities of actors interacting in business relationships. We assume that the mutual representations of actors reflect the concept of identity.

### **3.2 Hypothesis and Measurement Constructs.**

The empirical study was designed to assess what representations of mutual identities interacting actors hold in 32 business relationships of the Italian branch of a multinational company, a world leader in the market for adhesives. Analysing the data from the study we translated the two broad propositions in the following (empirically testable) hypotheses:

*H<sub>1</sub>. An actor's representation of a counterpart's identity in a business relationship changes from interaction to interaction.*

*H<sub>2</sub>. Different actors hold different representations of the identity of the same counterpart.*

Literature does not offer specific constructs and measures suitable to assess how counterparts in business relationships see each other as customers and suppliers and thus about what the potential dimensions matter in forming reciprocal actors' representations in business

relationships. However, The notion of relational identity is particularly relevant to the roles parties assume in business relationships. There are two roles in particular that are of interest in business relationships: one is the customer role; the other is the supplier role. (Other roles that can be identified in business relationships include partner, consultant, facilitator, intermediary). Both roles of the customer and the supplier are relational. The challenge is to identify what the fundamental components are – if there are any – of these two relational identities. Drawing on the distinction between the role-based and person-based identity (Sluss & Ashforth, 2007, pp. 11-12), we can assume that the customer and supplier role in business relationships have two aspects that matter for identity attribution. The first regards the attributes that, to some extent, are characteristics of the actors, and we refer to these as (organizational) personality's traits. This facet evokes the person-based identity concept of Ashforth (2001). The second regards performance related to the role of the customer or supplier, respectively. It is akin to the role-based component of identity of Ashforth (2001). We will refer to this facet as customer/supplier (performance) quality. Since we assume that between customer and supplier there are substantial differences in features that comprise counterpart quality (or expected performance), we have used two different constructs. Representations of the supplier's identity have been assessed investigating supplier quality and supplier organization personality (perceived by customers), while representations of the customers' identity have been assessed investigating customer quality and customer organization personality (perceived by the supplier). A detailed description of the scales used follows in the next three paragraphs.

*Supplier quality measure.* The construct that appears to be largely consistent with our relational perspective and that considers aspects of quality of a supplier, is the *Servqual* model (Parasuraman, Zeithaml & Berry, 1994). The *Servqual* model is intended to assess the quality of service provided by a supplier in five dimensions: reliability, responsiveness, assurance, empathy and tangibles. We found it suitable for our purposes because the *Servqual* instrument captures some important relational aspects of the relationship with the supplier. We believe that comparing the customers' scores on the *Servqual* items, we should be able to appreciate possible differences in the perceived quality dimension of the supplier.

*Customer quality measure.* While the quality of the service provided is an aspect that comes natural for customers' inferences about the supplier and have been object of various conceptualizations, the inferences about the quality of customers from a supplier's point of view are more difficult and less frequently discussed. Reviewing the literature on the topic we find a number of features suggested as indicators of the "quality" of the customer judged by the supplier. So for instance the customer profitability (e.g. Pfeifer, Haskins & Conroy 2005; Bowman & Narayandas, 2004), lifetime value (e.g. Mulhern, 1999) or customer equity (e.g. Hogan, Lemonand & Rust, 2002; Wayland & Cole, 1997) are some of the concepts used to measure the economic importance of a customer. There are, however, other dimensions. Some authors highlight as relevant dimensions the strategic importance of the customer (e.g. volume of purchase, potential to grow, etc.), the difficulty managing the customer (e.g. complexity of the product, needs of the customer, etc.) or dimensions related to the relation between the customer and the market in which it operates (Fiocca, 1980).

Since we found no suitable construct to assess customer quality ready in the literature, we opted to create an ad hoc scale. The procedure for developing a measure outlined by Churchill (1979) was employed to develop a measure for customer quality and it resulted in a construct with four dimensions that we have named: Success, Empathy, Profitability and Smooth Relationship. When tested for validity the results were that the instrument could be used with reasonable confidence for collecting data on the customer quality perceptions by supplier.

*Organization Personality measure.* Among the scales aiming at measuring personality in the business context, the scale that appears more useful in assessing perceptions about the personality dimension of an actor's identity, is the organization personality scale by Slaughter et al. (2004). The authors recognize the limit of employing measures taken from the existing measures of (human) personality and, as a consequence, suggest the use of "... traits adjectives taken from multiple personality measures, retaining only those trait adjectives that respondents found to be useful for describing their perceptions of the organizations' personalities" (p. 86). This scale described as "the set of human personality characteristics perceived to be associated with an organization" (Slaughter et al. 2004, p. 86), consists of 33 items and five components: Boy Scout (e.g. honest, attentive to people, family oriented), Innovativeness (e.g. original, creative, unique), Dominance (e.g. successful, popular, active), Thrift (e.g. simple, low class, sloppy) and Style (e.g. trendy, fashionable, hip).

### **3.3. Business context, data collection and the questionnaire.**

**The Company.** The object of our study is Molle Co., a large multinational company with headquarters in Germany, subsidiaries in more than 75 different countries throughout the world, employing around 50,000 employees. About 75% of the workforce is employed outside Germany, making Molle one of the most international companies in Germany. The Company is market leader in its brand-name products in several markets and in various technology segments. Adhesive Technologies is one of its main divisions, operating in business market.

Within adhesives Molle operates in a large number of applications of adhesives, glues and sealants and has a much differentiated customer portfolio. The most appropriate relationships to study would have been those with the direct industrial customers. The management of Molle has indeed confirmed that interdependences and specific reciprocal adaptations are strongly present in the relationships with industrial customers because the two parties continuously cooperate to find innovative solutions. The interaction between the supplier company and its direct customers is rich but also about issues sensitive for both parties. For this reason the marketing manager opted to exclude these relationships from our study.

Therefore, we have decided jointly with Molle's management to focus on re-sellers who in turn supply minor industrial and retail business customers. Molle's relationships with these actors are not as complex as those with direct industrial customers but are of rather high interaction intensity, especially when Molle supports these customers in the relationship with their final customers. Incidentally, it is not unwarranted to assume that if we find support for our propositions exploring the re-seller relationships, we can reasonably infer that the results would be analogous if not more marked in the relationships with the industrial customers.

**Data collection.** Supplier representatives and Molle's resellers are the subjects directly involved in the research. Supplier representatives were only partially informed of the objectives of the submitted questionnaire. We did not mention to salespeople that their interaction with customers was an essential part of the research. We agreed with the company's project manager, the marketing director, that the results would be presented in a way that ensured that the individual performance of the salespeople would remain confidential. We made sure that salespeople did not perceive the research as an evaluation of their work to limit the risk of less spontaneous behaviours in interactions. All interviewees were guaranteed anonymity. Both the salespeople and customers were informed that the interviewer was an academic researcher not employed by the company.

The data was collected over a seven-month period (January 2009 – July 2009) and concerned 32 business relationships between Molle and its main commercial customers. On two separate occasions, we interviewed 16 salespeople of the supplier company and 32 of its main retailers operating in the Italian market. Once we had obtained Molle's agreement to participate in the project, the selection of customers followed the advice of Molle's marketing manager on the basis of each retailer's turnover. The data was collected in two steps: When a customer or salesperson arranged a meeting for whatever reason, the salesperson involved got in touch with the researcher who, after notice from the salesperson, visited the customers for a first interview. The questionnaire covering questions about the quality and organization personality of the supplier were administered to the customer respondents. This first visit was carried out some days before the scheduled meeting between customer and salesperson. Before the meeting, we also met the salespersons individually to fill in the supplier side's part of the questionnaire. We will call these interviews the pre-interaction phase interviews.

In the second phase – that we will call the post-interaction phase – we followed the sales force on their visits to customers. Attempting to observe behaviours in their usual course, we did not schedule meetings ad hoc, but participated in the meetings solicited by the salesperson or the customer. After each meeting (the content of which has been recorded) we repeated the questionnaire as in the first phase, except for the relationship demographics. Both customers and salespeople were not informed that an identical questionnaire would be repeated, and they became aware of it only when it was submitted the second time. That was to prevent respondents trying to memorize the answers given in the pre-interaction phase.

**The questionnaire.** The pre-interaction phase interviews lasted 30 minutes and followed a questionnaire comprising two parts. The first part, semi structured, aimed at two things: first gathering the demographics of the interviewee and of the company; second we proceeded with relationship assessment questions (Ford et al., 2002). The second part of the questionnaire was dedicated to the assessment of customers' and supplier's knowledge about the counterpart. Customers' representations of the supplier have been measured in terms of supplier service quality (Parasuraman, Zeithaml, & Berry, 1994) and organization personality (Slaughter et al., 2004). The supplier representations about customers was measured in terms of customer's quality (for which we used ad-hoc developed scale) and organization personality (Slaughter et al., 2004). The respondents (customers and sales representatives) were asked to indicate the degree of agreement with the statements regarding the single items on a Likert scale from 1 – 7.

In the post-interaction phase both the same customer respondent and the salesmen were interviewed for the second time immediately after the meeting (the interaction event). They were interviewed separately using the same questionnaire as in the pre-interaction phase, for the assessment of quality of the counterpart. Only the second part of the pre-interaction questionnaire was submitted this second time. We also asked the respondents about significant events between the two interviews in order to monitor eventual intervening events. The period of time between the first and the second interview (7-10 days) was sufficiently long for the respondents to forget the answers given in the first phase (avoiding the response set bias), but at the same time it was short enough to limit interference from exogenous changes in the business context.



### 3.4 Data Analysis and Results

To test the first hypothesis  $H_1$  that states that

*An actor's representation of a counterpart's identity in a business relationship changes from interaction to interaction*

we proceeded by putting together the two scales for quality and personality that have previously been separately validated. The results of the paired sample t-test reported in Table 1 indicate that the actors, both customers' and supplier's, have changed their representations of the identity of their counterpart during an interaction. The change is statistically significant. It is evidenced by the difference in mean scores before ( $M = 5.2$ ,  $SE=.08$ ) and after the interaction episode ( $M = 5$ ,  $SE=.09$ ,  $t(63)= 3.8$ ,  $p < .05$ ). These results provide support for  $H_1$  that *An actor's representation of a counterpart's identity in a business relationship changes from interaction to interaction*.

**Table 1 Paired Samples Test – Identity (customers and supplier)**

	Paired Differences							
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
				Lower	Upper			
Identity	.17	.36	.04	.08	.26	3.8	63	.000

In order to test the second hypothesis  $H_2$ :

*Different actors hold different representations of the identity of the same counterpart*, we put together the two scales for quality and personality that have previously been separately investigated and validated.

The degree of heterogeneity in the data on how the identity of the supplier is perceived (identity attributed) was investigated using cluster analysis and t-test. Pre and post data were employed, which resulted in the identification of different clusters. Evidence of the existence of different clusters from the cluster analysis, can be taken as an indicator of heterogeneity in the data.

An examination of the cases for each cluster solution shows that the most plausible concerning the pre-interaction analysis is the three-cluster solution. We therefore conducted an independent sample t-test (Table 2) to evaluate whether supplier identity means were significantly different among the pre-interaction 3-clusters solution and among the post-interaction 2-clusters solution.

**Table 2 Independent Sample Test\* - 3-clusters solution Supplier Identity (ID)**

	t-test for equality of means							
	t	df	Sig. (2-tailed)	Mean diff.	St. error mean	95% Confidence Interval of the Difference		
						Lower	Upper	
ID pre 1-2 (11; 12)	-12.0	20.8	.000	-1.0	.1	-1.2	-.8	
ID pre 1-3 (11; 9)	-3.6	15.8	.003	-.4	.1	-.6	-.1	
ID pre 2-3 (12; 9)	6.6	15.6	.000	.6	.1	.4	.9	
ID post 1-2 (18; 10)	-5.5	21.8	.000	-.6	.1	-.9	-.4	
ID post 1-3 (18; 4)	3.7	4.6	.016	.6	.2	.2	1.1	
ID post 2-3 (10; 4)	7.2	4.9	.001	1.3	.2	.8	1.7	

\*Equal variances not assumed

The results of the independent sample t-test reported in Table 2 indicate that the identity attributed by customers to the same supplier is significantly different among the 3 clusters identified both pre and post interaction. This finding supports the *H<sub>2</sub> Different actors hold different representations of the identity of the same counterpart.*

### **Differences and changes in the attributed identity.**

The analysis of the data related to the change of identity representations (Hypothesis 1) provides also robust results and appears fruitful for further considerations. To evaluate the entity of change after the customer–salespeople interaction, we used the *t*-test. Customers' and salespeople's reciprocal representations were tracked twice and compared through a statistical test. *T*-tests confirmed that the representations of customer and supplier identities are significantly different when we compare the representations pre- and post-interaction. We can thus conclude that the mutual representations are continuously changing – are emergent as a consequence of interactions. This means also support for the proposition that *actors' identities are always changing and emergent.*

The analysis of the data offers thus interesting results regarding the differences in the representations of supplier's identity held by different customers (Hypothesis 2). The cluster analysis clearly shows evidence of the differences in the representations. The results evidence that the representations of identity of the same counterpart (in our case, the supplier) are relationship specific and tend to be heterogeneous in the sense that—based on the differences in the value of a set of given dimensions—one could also infer that differences exist in the relative importance of the identity dimensions. The evidence of the aspect of heterogeneity is somewhat limited because of the tools used to capture the identity profiles (the standardized questionnaire with predefined dimensions). On the whole as the results provide support for the hypothesis 2 we can consider also as evidence for the second proposition that *actors' identities are always relationship specific.*

## **4. Considerations on the findings and their implications**

The evidence of relationship specific identities and of the fluid and emergent nature of the representations held by the interacting actors stimulates three reflections regarding: the process by which identities emerge, the peculiarity of the concept of actors defined from the interaction perspective and on the critical issues for management.

### **4.1 Actors and relational identities**

As a consequence of the relational specificity of identity and of its emergent nature, every actor has a multifaceted identity. It follows actors' simultaneous involvement in several relationships with different roles. Considered from the perspective of the actor, each actor's identity includes several facets as the actor has more than one relationship. However, considered from the perspectives of the specific relationship and interaction process, each actor has one distinct and specific relational identity.

Representations of the same actor - its identity in different relationships - are not comparable because they tend to be based on different dimensions. How an actor sees a counterpart has little to do with how another actor interprets the same counterpart since an actor's identity in business relationships arises as the two related actors mutually acquire meaning in their reciprocal acts and interpretations. The mutual representations are role related.

If we want to understand the dynamics of a given business relationship, we have to look at the specific facet in which actors are reciprocally interested rather than focus on the overall profile of an actor's set of identities. What makes an actor different from another is not primarily a different weight given to an a priori set of characteristics. Rather, what makes each actor distinctly specific is the variation in the dimensions others are interested in from their own specific angle. An actor's identity is not multifaceted because counterparts see certain a priori characteristics in a different way; an actor has a multifaceted identity because the counterpart's perceptions of an actor reflect "differences in kind" rather than simply in the degree. This is the meaning of heterogeneity and of difference in roles.

If we accept that representations of an actor's identity are formed in the encounters between customer and supplier, and thus relational, it becomes essential to explore the interaction process in business relationships. Given the most common roles in business relationships, actors tend to represent the supplier or the customer. But, a customer or a supplier, are a composite and fuzzy entity that has not only the actor, but also resource and activity dimensions. Each actor interacting with these roles focuses on and emphasizes certain dimensions of the counterpart and which dimensions these are depends on the actor's role as well as the context and angle from which it approaches and sees the counterpart.

The representations of the counterpart are never stable and tend to change as any of the actors becomes aware of and discovers other dimensions that have not been previously considered. It can depend on the change in the context, change in the way to interpret the situation, change in the counterparts behaviours. The outcome of the interaction and therefore that of the relationship is not given by what actors actually do and see others do but rather by the process of the interaction that in itself determines what they actually see. What really matters for relational outcomes is how actors see each other, frame problems, and ascribe meanings to counterparts' behaviours—in other words, how they interpret information and action. Interpretations and choices made by the actors during interactions result in action-oriented problem solving (Rudolph, Morrison & Carroll, 2009).

An important factor in how identity representation is formed is how actors see and elaborate upon impressions rather than what they actually see. Given this aspect of the interaction process in business relationships, it is easy to appreciate why the attributed identity is relational and the outputs of different interaction processes in different relationships are not comparable.

The empirical findings of our study regarding the differences in the identities representations are consistent with the arguments put forward in the IMP research tradition that in business-to-business markets there is no such thing as a standard relationship and every business relationship is unique. As a consequence the customers are not anonymous and the offerings of suppliers are neither faceless nor homogeneous (Ford et al., 2003).

Our study offers empirical support to the idea that the identity of an actor is the outcome of the way in which it is viewed by each of its counterparts and at the same time an important input into the interaction process on which the development of a business relationship depends. An actor's identity is formed in interaction and thus the product of interaction; at the same time, it serves as important input to the interaction process. Indeed, what an actor ascribes to the counterpart (the attributed identity) will affect expectations and behaviours of the parties in a relationship. Who an actor thinks the counterpart is, what it provides, and how it performs will impact on the resulting interaction in a reciprocal way.

It is this two-way relationship between identity and interaction can possibly also explain the ever-emergent nature of identity. Indeed, an actor's identity representation of the counterpart identity is only a temporary stabilized snapshot of an underlying entity in continuous development. The emergent nature, which is the continuous change in the identity, can evolve dependent on factors exogenous to the relationship as well as relationship

endogenous factors. We have highlighted in our study the endogenous factors. The importance of these factors comes to the fore in Mead's observation that "as a man adjusts himself to a certain environment he becomes a different individual; but in becoming a different individual he has affected the community in which he lives" (Mead, 1962).

## 4.2 Re-conceptualizing business actors

Looking at actors from the perspective of the interaction process yields a radically different concept of actor compared to how actors are traditionally defined in social sciences. The concept of actor in social sciences is generally defined from the capacity to act purposefully, which is to form intent and interpret conditions so as to adopt behaviours leading to the achievement of desired goals. Considering the concept of actor from the interactionist perspective an actor is an actor when its behaviours matter to and impact on others. Intent and purpose are not essential; even routine behaviours triggered by different stimuli can have an impact. Therefore, if we are set to explain the formation of relationships and the role of actors in how relationships develop, we cannot limit our enquiry to purposeful planned behaviour. From the interaction perspective, the actor is defined by the perception of the relevance of actor's actions. Considered from interaction perspective actors have at least four peculiar features.

The first feature is the *limited autonomy*. The interaction perspective of actors' behaviours in business relationships leads to questioning the autonomy of the actors and the actual control that actors have of their actions as well as actions' outcomes. Our empirical findings document that actors do not govern their "selves" nor do they freely transmit a desired image to the counterpart. An actor interacts with the counterpart, which can—depending on the issues of concern in that particular moment—determine which facets of identity are important in attributing an identity to the actor. Thus, outcomes of what an actor achieves in a business relationship depend largely on the identities that others with whom he interacts attribute to him. Constraint in autonomy is the flipside of the "jointness" of the actors in business relationships (Håkansson, 2009). The outcomes of an actor's actions have to do with its plans or intentions only to a certain degree; rather, they depend on the pattern of the actions and reactions of the interacting actors. How the interaction develops depends on the meanings ascribed by each of the interacting actors to the other actor. The importance of identities' attribution is amplified not only because it affects the specific relationship, but also because the effects are spread at the network level.

The second feature of actors when seen from interaction process is the *fuzzy boundaries*. Since actors are defined by the perceptions of those with whom they interact; the contours and boundaries of the actor are relative and changing. As such, the concept of actor—defined from action as perceived by others—can never be defined a priori without specifying the interaction context. Defining an actor and its boundaries requires reference to a specific relationship, interaction process, and moments in the interaction process. In this sense, the identity of the actor (and thus the entity that is an actor) is relationship specific, dependent on the counterpart, and changing as the interaction develops (Geiger and Finch 2009; Elis et al 2010). Thus, in interactions, actors cannot be taken as given and are a changing and emergent entity.

Interestingly, adopting the interaction perspective results in the conclusion that an actor is a variable entity. Neither the entity nor the identity of the actor is a given. In an interaction from a specific angle of the specific counterpart, any actor represents an organized entity—a set of resources and activities it is capable of. However, the boundaries of the organized entity do not necessarily (and in fact very seldom) coincide with the boundaries of

the formal organization for which the actor is agent. Boundaries of the actor, in the sense what the actor actually represents, are in the eye of the beholder.

The third distinctive feature of the interaction's actors is that they have *multiple identities*. Since every actor has several relationships and engages in several interaction processes, more or less simultaneously, every actor has multiple identities as it has multiple roles. The multiple roles interfere. The multifaceted identity depends on the relationships in which it is involved and possibly others' role expectations. The corollary of interdependence and of multifacetedness further indicates that outcomes of actions, and thus successes, are "collectively dependent" (Araujo and Brito, 1998). In addition, the economic outcomes of any business are largely dependent on collective action occurring elsewhere in the network context of the business and are never fully under the control of the company.

The ways in which actors interact and become mutually and selectively associated with each other have substantial consequences for those actors, the actor web, and the relevant resource constellations and activity patterns. Actors continuously change and co-evolve with specific others. Each actor is unique and has unique requirements for success.

Finally, a fourth characteristic of the inter-actor is that *actors are products of their interactions*. Not only are their identities defined in interactions with others, but the extent to which they interact as well as their conduct evolves as the interaction unfolds, and their features tend to be shaped by the interactive relationships and the interaction processes in which they engage. Not only does their identity emerge in each single specific interaction process, but their features and characteristics are also shaped by the relationships they have. (Håkansson, 2009). For business actors, this means that their capabilities and potential as much as the economic outcomes originate in interaction and, consequently, always evolve as the various interactions develop.

We argued that an actor can never be defined a priori; it always exists in a specific moment—namely, in that moment when actors are interacting. Shifting from one moment to another means shifting from one interaction to another interaction. Since what happens in an interaction is not predictable, we can similarly not prefigure an actor's identity. Consequently, actors are the product of their interaction. They co-evolve with others.

A related interesting aspect of the interaction's actor is that identities as attributed in relations with others become substantial features of the actor. Every actor is uniquely associated and forms bonds with a limited number of others. These bonds both enable and limit what an actor can achieve. Regardless of the self-perception of the actor, the identities attributed by others are important for what an actor can actually do and achieve with the counterpart. In that sense, the attributed identity becomes an important element that defines the potential of what an actor can achieve and can therefore be thought of as capabilities of the actor.

### **4.3 Coping with multiple and emergent identities**

Because of the link between identity and performance dealing with multiple identities and coping with the emergent nature of the relational identities is a central issue for management. Multifacetedness and continuous change cannot be avoided. To cope with the two is a challenging task for management. Both the heterogeneity of a business's identity representations by its customers (and suppliers) and the emergent nature of how a business identity is represented by others are important issues of concern for management. The question becomes how can management deal with a multitude of different identities and how it can deal with the continuously emergent nature of the identities perceived by others.

The heterogeneity in representations causes several difficulties in monitoring and assessing the identity that a business projects. If we take the heterogeneity argument seriously, attempts to aggregate the relational identities are problematic. Aggregating representations of identity that are “different in kind” is contradictory and monitoring the overall aggregate perception of a company’s identity is likely to be pointless and ineffective. Given the evidence emerging from our study, the appropriate unit of analysis (and one to be managed) should be the single relationship and, thus, a relationship-specific attributed identity. As a consequence if management is to manage economic and financial performance it has to monitor the elements considered important by counterparts in attributing identity and the importance assigned to each of them, thereby resulting in the possibility to capture the emergent heterogeneous pictures by customers as they emerge.

The fluid and emergent nature of the identities and the impact it has on the conduct in business relationships are matters of concern for management. It means that the relational identities are only temporarily stabilized. Considering the emergent nature of the relational identities, the key issue for management is not about foresight and planning. Rather, the task of management becomes in a certain sense counterintuitive; accept the idea that identity perceptions do not simply derive from a company’s actions—whether mediated or direct—but are unpredictable and characterized by diversity is demanding for management. On one hand, it means that management should focus more attention on interaction capabilities that are likely crucial for managing the unpredictable nature and probably require a set of specific competences. On the other hand communication processes become central and the communication skills crucial.

But, the heterogeneity of the identities and the emergent nature of these are not only a problem; both have also positive implications and valence. But, they require management to learn how to deal with the heterogeneity and the emergent nature of the identity perceptions. Heterogeneity of the attributed identities can be exploited as a valuable resource for a business. It helps the company to innovate and favours also the internal renewal. As with the management of self, multiple images of *self* generated by the company allow businesses to form, develop, change, and consequently innovate.

Multifacetedness of the identity tends to require a certain amount of devolution due to the difficulties in aggregating the relationship among specific and evolving identities. Relational identities have to be monitored and enacted at the single relationship level. It is impossible to act upon those sensibly in a uniform way across different relationships. The multiplicity of an actor’s perceptions among the stakeholders offers opportunities but also imposes the need to define strategies in each significant relationship in a way coherent with the features of its specific business context.

The emergent nature of identity can also be leveraged for the benefit of the business as it offers an opportunity to shape and influence the projected identity. It offers the possibility to adapt and adjust the identity over time through interaction with others. Combined with multifacetedness, it allows the flexibility to adjust and adapt to different partners and to broaden the behavioural repertoire of the company so as to meet the requirements of different others while maintaining an intelligible profile toward others, “being the same and different at the same time” (Brewer, 1991, p. 475).

In order to reap the benefits from heterogeneity and the emergent nature of identity, companies have to develop competences that go beyond a general customer-orientation. Indeed, more is needed than to anticipate and understanding customer needs. Businesses must deal with interaction processes in which both parties play an active role. Therefore, key competences do not have to do with the cognitive, individual (or collective) ability of one of the parties’ actions, but rather with the capacity to interact and the ability to adopt others’ perspectives. The interaction response capacity (Ramani & Kumar, 2008) is important, and

emphasis should be placed on acting, interpreting, cultivating diagnoses, and reinforcing feedback. A corollary is the need to give more importance to management of the interactive communication processes both within the organization and across the organizational boundaries in business relationships. Since it is talk that brackets action and thus gives meaning (Weick, Sutcliffe and Obstfeld, 2005) also the examination of discourse and storytelling (cf. Ellis, 2010) is a promising field of research.

## **5. Implications for further research**

We are convinced that further research in the actor dimension of interaction in business relationships is likely to be fruitful. How to capture and cope with the variability in the dimensions of the actor's identity is an interesting problem from a methodological point of view.

Further research should aim to refine both the conceptual framework and the tools for assessing and measuring representations of identity in business markets. This process is likely to involve identifying and defining more role-specific dimensions. The aim of such research would be to conceive the relevant dimensions of an organizational role in a business relationship such as supplier or customer. It would involve determining what makes a good business customer and a good supplier: It involves identifying and specifying the relevant characteristics of the roles. Scholars may explore the relevant dimensions of identity of a business through qualitative research (e.g., open or semi-structured interviews) as well as subsequent testing of the emergent propositions, which is likely to require a more quantitative empirical research.

Our experience of the scales we have adopted in this study could be of help in attempting to develop more suitable constructs for exploring actors' identity in business relationships. We can share our experience about the way in which we approached the problem of measuring differences in representations of identity. We are aware that when comparing respondents' identity representations based on the same ordinal scales, we did not really identify diverse (heterogeneous) representations of identity. Rather, using a standardized measurement construct (like Servqual or Organization personality), we identified differences in the degree of perceptions of given aspects and not variations in dimensions that may be equally—if not more so—important. It would be interesting in future research to devise an approach (method) to capture identity representations which enables to assess “differences in kind” and not only the differences in degree (size or value). We assume, as much of the research on business relationships, that various relationships and the related identities are indeed heterogeneous and this heterogeneity is about “differences in kind,” that regard, by definition, different, non-comparable dimensions. Heterogeneity does not derive from perceiving identity differently “in degree,” but rather from attributing different properties (kind) to the same actor. This reflects different role expectations. The capabilities sought in a given relationship by one actor (and the attributed capabilities) are not necessarily of interest for another actor, who is likely to seek and attribute other capabilities to the counterpart.

This line of research makes it particularly urgent and challenging to develop a specific construct to measure relational identity in business relationships. In our study, we have adopted closed questions and quantitative scales. One can question whether it is appropriate to use a set of dimensions of identity that fit all customers in evaluating their supplier and vice versa. Although we are convinced that a qualitative, open-questioned survey would offer richer findings, we are equally persuaded of the need to produce observations that can be aggregated and compared. Therefore, we ultimately identified categories and dimensions

expected to be recurrent. In hindsight, in order to better capture the heterogeneity (i.e., the “differences in kind”), we should measure more precisely at least the relative weight of the different dimensions of an actor’s relational identity.

There are other considerations related to the conceptualization of identity in this study. The first concerns the duality in the representations of identity in business relationships related to the facets of personality versus quality (i.e., role performance). The second concerns the differences between roles such as customer versus supplier. Our experience suggests that both considerations are relevant. Our research suggest duality in the relational identity; if future research confirms the duality of identity in business relationships, we consider it necessary to construct scales specifically tailored for assessing “personality” (features and characteristics) and “quality” (role performance expectation) components of the identity of the roles customer and supplier.

Scales we used, for convenience, have been developed for relationships in consumer markets. We would argue that substantial differences exist between business and consumer markets that have bearing on the significant dimensions of the “personality.” The organizational personality cannot simply be a translation of personality features of individuals to organizations—a principle that inspired the organization personality construct that we used in our study. In a similar vein, we would suggest substituting the Servqual as the construct for measuring the supplier quality. The Servqual that we used to assess the role-based component of supplier identity (role performance expectations of a customer in relation to a supplier) was originally developed to suit individual consumers as customers and their performance expectations of service businesses in the business-to-consumer context. Business customers performance expectations are certainly somewhat more complex. We would therefore argue for the need to replace it with a more suitable instrument focusing on the dimensions that truly matter for business customers in relation to business suppliers. To some extent, this recommendation is based on the experience of developing an ad hoc scale for customer quality as part of our study. The newly developed scales appear to capture the relevant dimensions of the business customer more effectively. We would simply suggest further testing and refining it since it appeared to be a useful instrument in our study.

Another important issue in future research is likely to be to investigate the relationship between the interaction patterns and change in the perceived identities. Our study suggests that emergent diversity in the identity representations among actors in relationships reflects a certain pattern of interaction. However, in order to explore the link between the two, it is necessary to develop a measurement instrument that makes it possible to capture and analyse interaction encounters patterns and relate these to differences in identity representations. It is likely that, in order to shed some light on the constitution—and re-constitution—of identity perceptions over time, studies with a longitudinal perspective of business interactions would be welcome. Adopting a longitudinal study would help avoid the problem of bracketing interactions.

A final remark that needs to be addressed in further research concerns the IMP idea that interactions between actors involves not only actors, but also activities and resources as each actor in a business relationship tends to represent an organized entity of resources and activities. In this study, we focused on actors implicitly assuming the conjoined effect of activities and resources. However, it seems challenging to consider in a further research design to investigate specifically the role of activities and resources in identity attribution.



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