

IMPLICATIONS ON & BY BUSINESS NETWORKS IN THE CONTEXT OF CSR AND HARD TO CONTROL ENVIRONMENTS IN EMERGING ECONOMIES

- The Case of a Swedish MNC in South America -

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Abstract

The general aim of my research is to see the implications on business networks in different scenarios within the context of a more CSR focused business world as well as the increasingly important volatile emergent markets. Non-traditional business actors from both the public as well as the civil society sectors in terms of regulators and NGOs are in focus, which have not been the main study objects in the business network perspective. The focal company is the telecommunication network supplier, the Swedish MNC Ericsson, with focus on its activities in the Argentinean and Brazilian markets. A qualitative case study is the method applied.

Keywords: business networks, non-business actors, CSR, emerging markets, crisis, political actors, NGOs, cross sector relations, relationships, strategy

The main research question will be studied in (probably) four separate papers with objectives connected to the main theme of network effects. These are under construction (WIP) and are presented briefly and INCOMPLETE in the summary at hand. Since I am currently writing the paper “Effects of CSR activities on business networks”, there will be more focus on this one. The presentation of the second paper includes only a superficial literature study and the themes of the final two papers are just shortly introduced. A discussion point is if the Amazon project would be applicable here? First of all, an introduction to the general subject is given.

Papers being developed:

EFFECTS OF CSR ACTIVITIES ON BUSINESS NETWORKS (ARA)

– Intended and Unintended (Direct and Indirect?) Effects of the Case of Ericsson and Digital Inclusion in the Amazon-

CROSS-SECTOR RELATIONS AND BUSINESS NETWORKS

- Differing raison d’être applied to the behavioural concepts of business networks -

CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES IN SUBSIDIARIES IN LATIN AMERICA

– The Role of Strategy, Business Networks and Social Entrepreneurs -

RELATIONSHIP DEVELOPMENT AND CRISES

- The case of Ericsson and Telefónica in Argentina -

BUSINESS NETWORK THEORY – ADDING POLITICAL AND SOCIAL ACTORS

The context of business firms has been in focus in many studies and its importance is underlined by many scholars in different ways (Porter and Kramer, 2002, Teegen et al., 2004, Hadjikhani et al., 2008, Håkansson and Waluszewski, 2007). The traditional IMP network model does not have non-business actors as its main focus; traditionally mostly business actors are studied. Lately this has been contended by several scholars who underline the importance of other non-business key actors in the business environment. The actors that have been identified as important are of socio-political character. ((Hadjikhani and Ghauri, 2001, Hadjikhani et al., 2008, Welch and Wilkinson, 2004) Hadjikhani and Lee, 2006, Bengtsson and Pahlberg, 2009, Ritvala and Salmi, 2009)

The studies that actually include on non-business key actors have mainly focused on governments and state actors. Society however, includes not only the private and public sector, but also civil society. Civil society actors such as NGOs have gained importance for business particularly due to the increased focus on companies' social responsibility (CSR), particularly the last two decades. According to Vogel some 80% of the largest MNEs deal with CSR on their web sites. (Vogel, 2005) The liberalization of the world economy in terms of regional and global free trade agreements, as well as the CSR trend have been described as the major reasons for the increased significance of these new non-traditional actors such as NGOs in the business contexts (Pellow, 1999, Pellow, 2001, Christmann and Taylor, 2002), (Yaziji, 2004, Porter and Kramer, 2002, Teegen et al., 2004, Vachani et al., 2009, Christmann and Taylor, 2002, Vogel, 2005, Crane et al., 2008)¹ NGOs appeared in MNEs' business context as an external pressure in the 1990's (Egels-Zanden and Hyllman, 2006) and in the beginning the relations are described mostly in terms of antagonistic. After the quite famous case where Shell and Greenpeace decided to cooperate in 1995, more MNEs and NGOs followed and so called green alliances started to appear. This implied closer cooperation than the earlier quite simple donations and philanthropy relations. Today, especially due to initiatives like the UN's Global Compact², the trend is working more in partnerships where firms and NGOs engage in projects with mutual benefits. (Frithiof & Mossberg, 2006)

EMERGING MARKETS

Business networks have not been applied a great deal on studies on emerging economies. It is however a highly appropriate analytical tool for these types of markets given that the social relations gain importance due to the lack of stable institutions (Peng and Luo, 2000). The emerging markets growing importance in the world economy also make them greatly interesting to study (Wright et al., 2005). What is more, it is interesting to study an MNC in emerging economies from the perspective of the interaction based network model given the activeness of MNCs when in contact with their contexts, especially in those types of markets. (Child and Tsai, 2005) NGOs, one of the focal actors in this thesis, are described by many scholars to become more numerous and play a more active role on emerging compared to developed markets, which enhances the value of placing the study in such. Again, the reason

¹ Of course there is an important point to me made concerning the value of this "knowledge". Is this proven to actually have taken place, or is it only the description, the discourse that has changed? I choose to apply a social constructivist view of the issue and assume that as long as firms and other actors act as if the change has come about it is significant.

² "The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.", <http://www.unglobalcompact.org/>, 20091124

for NGOs increased activeness is because of the lack of stable formal institutions. (Vachani et al., 2009) Moreover, not only social influences but also another main actor in this study; governments are argued by Hoskisson et al to be stronger in emerging economies than in developed. (Hoskisson et al., 2000) I have chosen to investigate the phenomenon of the effects of CSR focus in Latin America since there has been limited attention paid to this region in the studies of emerging markets, especially in the area of international marketing and the business network based research. In a call for papers for the Special issue of International Marketing Review (IMR) 2011 where this gap is identified, it is mentioned that there is substantive economic importance of the region with a population of over 550 million and a GDP of approximately US\$4 trillion.

COMPANY AND INDUSTRY

The Swedish MNC and network equipment supplier Ericsson in the telecommunication industry (ICT) has been chosen as the focal actor in this case study for various reasons. First of all, Ericsson is the market leading network equipment supplier in the telecommunication industry. They have few customers, mainly the telecommunication operators, varying from one to never more than six in a country and there also relatively few other network equipment suppliers. Ericsson's business environment is thereby defined in terms of few long-term important relations, a setting highly appropriate for the application and study of the business network perspective. Secondly, the telecommunication industry highly regulated nature does not only lead to few actors in the branch, but also to the increased importance of non-business actors such as political actors e.g. regulative agencies. In interviews at Ericsson, the regulators are in many instances mentioned as the second most important external actor after the customers. The industry is not only regulated on a national level. Due to the need of international standards etc international organisms like the United Nations are also very important non-business actors in Ericsson's business network. This makes the business context interesting also in terms of including "non traditional" business actors. Thirdly, Ericsson's recent change in the main marketing strategy, enhancing the focus on corporate responsibility and sustainability issues as well as the network society make the company suitable for studying the effects of CSR and cooperation with NGOs.

RESEARCH DESIGN (this part is not written yet)

In order to see if my initial research ideas were possible to carry out I did an initial pilot study including observations, interviews, documents (Svenning, 1999). As a first step I studied documents and did interviews at Ericsson's head quarters in Sweden to make out how the top management team looks upon the importance of relations to socio-political actors. Thereafter, representatives at the subsidiaries Argentina and Brazil were interviewed and the interviewees were chosen using the so called "snowball method". From the initial quite inductive study I continued with more directed (deductive) data collection based on the information and restructuring of the objectives with more straight and specific questions. Still the interviews were semi-structured with open questions. (Patel and Davidson, 2003) Representatives of the main customers are also going to be part of the data collection. Around 60 interviews have been done in total.

EFFECTS OF CSR ACTIVITIES ON BUSINESS NETWORKS

– The case of Ericsson and digital inclusion in the Amazon-

The main objective of this study is to see what effects a CSR project can have on “the regular business” of a company. Within the CSR-studies often times when discussing the results of CSR activities, the focus is on its effects on the society or in terms of how well the goals of the projects and alike have been reached. These are of course most essential studies and extremely useful in order to achieve efficiency and productiveness in these types of activities. Lately however, there is a stream of research pointing to the importance of making the results count also for the companies executing them, not only for society, in order for the CSR initiatives to be sustainable in the long run. (Crane et al., 2008) An important research field within this focus is the resource based perspective where the application of the core business is essential in the CSR activities in order for them to be sustainable and maintained over time. (Hess et al., 2002) In line with this, there has been a development going from CSR being merely donations and philanthropy actions to more inclusive business cases where values are co-created among different actors from different sectors of society such as business, governments and civil society. (Kourula and Halme, 2008) These external actors and resources are not taken into account in the resource based view though, which has more of an internal resource focus (Baraldi et al., 2007).

The research concerning the added value from CSR for business firms is mostly found in the area of consumer marketing while fewer studies have been conducted in the industrial marketing field. Scholars such as (Smith, 2003) recommend that researchers devote greater attention to multiple stakeholders rather than focusing exclusively on consumers. This call for studies has been replied for example by (Bhattacharya et al., 2009) and other more industrial marketing studies have focused on the effects of CSR on customer relationships (Lacey, 2007). Here however, the aspect of the CSR effects on the relative position of a company in terms of its business relationships and how these interrelate and impact each other has not been in focus, instead the reactions on a more individualistic level has been applied. These aspects can instead be studied by applying a business network based view. Nevertheless, in business network studies CSR activities including non-business actors such as governments and NGOs has not been much in focus. One example of CSR studies in industrial marketing is Håkansson and Waluszewski, 2002, where the effects of for example “the change of idea structure” impacts the business network with focus on the resources. (Håkansson, 2002) In the present study, as a contribution to the industrial marketing and CSR research, the attention falls on the value created and the direct and indirect changes in the relations to the actors surrounding the company, their interdependencies and the consequential change of its network position. **Keywords:** CSR, business networks, indirect effects, interdependence, cross-sector partnerships

APPLYING THE BUSINESS NETWORK, Activities Resources Actors (ARA)

Due to the lack of space and my main interest of the actual application of the ARA on the case, the focus in this summary will be on the analytical part. This implies that the presentation of the empirical data will be extremely comprised. Hopefully the very short case summary will be enough for an evaluation and discussion concerning the application of the ARA. A short description of the Ericsson Brazil’s closest network will be given as well as an introduction of the analysis. Please, keep in mind that this is only a draft of what an analysis could look like, so I hope it is readable despite all bad references, lack of editing etc.

Digital inclusion in the Amazon – the project “Connexão Belterra”

The telecommunication network supplier Ericsson and the mobile operator Vivo in Brazil decided to work on a CSR project together in the Amazon region Pará in Brazil. The idea of the project was to bring connectivity to an area where there was none but where a social network of communication existed. In order to do this project they needed to cooperate with a partner who had the local knowledge and legitimacy. They found the NGO Saúde & Alegria (Health & Happiness, S&A) who had been active in the region since 1987, working with education, health, social inclusion etc. They had a communications network already in place called “Mocoronga” which included several communities located close to the river Tapajós, working with local newspapers, newsletter, radio programs etc. The last few years they had been one of the partners in a private-public initiative “Telecentros” which had brought internet through satellite technology to a few communities in the area. This meant that they had an area and experience of digital inclusion. One 3G antenna was installed in the small town Belterra of 18000 inhabitants and one in the community Suruacá of around 200 families. Both intended and unintended results from the project “Connexão Belterra” are presented in the following sections.

Interaction

In the business network perspective the relations among the different entities and their cooperation are in focus, as opposed to the traditional economic theory where the actors are seen to be mainly competing. Through the relations the involved actors end up in *interdependencies* since they *interact*. They solve problems, create new products and so on together. These interactions create unique *relationships* which are hard to imitate. But their different relations are also connected to other relationships, creating a *network* of interdependent actors.

Ericsson has four big operator accounts in Brazil, which stand for 95% of its operations in the country. The four customers are more or less of the same size. Brazil’s biggest mobile operator Vivo, with whom Ericsson did the CSR project in the Amazonas, is part of the Telefónica account which in turn is the biggest client Ericsson has in the region Latin America. The regulated nature of the industry also makes the state actors, and in particular the Brazilian telecommunications regulatory agency Anatel as well as the communications ministry highly important actors in Ericsson’s surroundings (network). The company has a specialized group function working only with the regulative issues. The same function works with the local industry organisations and they often cooperate in order to influence Anatel and the ministry. Today with Ericsson’s new focus on the societal needs as business opportunities, other sections of the government apart from the communications ministry are gaining importance. Combining these different entities, especially when adding the societal needs, a “new” actor has been identified by Ericsson as their main “customer”: *the network society*. In the network society end-users as well as operators and governments and other “non traditional business actors” are included. The coordination and connection of all is expressed as the main task of Ericsson. All relations are described as long-term and based on trust through continual fulfilment of agreements and truthfulness.³

EFFECTS IN ERICSSON’S BUSINESS NETWORK

When applying the BNW perspective, the interactions among the different entities in the business network can be studied in terms of resources, activities and actors (ARA). My intention in this paper is to look at how ARA could be applied when studying the effects of

³ The suppliers are hardly ever mentioned by the contestants. And when mentioned and a follow-up question is posed the interviewee does not seem to know much about them, not even the name of the next biggest supplier after Ericsson Sweden.

the CSR project in Brazil on Ericsson's business network. Below I will give brief descriptions of the basic ideas behind ARA, followed by their potential application on the Amazon inclusion through connectivity case.

Resources

The resources are interactive in their nature as per the basic assumptions of the business network perspective. They are defined through different combinations, developments and exploitations which value are activated through interactions with others. The process of the resource development is an evolutionary process with constant adaptations and both the past and the present characterize the state of the resources. There are endless of potential combinations of resources and therefore never-ending possibilities exist. The different combinations set the value of the resources, which are affected by all interactions.⁴

The value of a resource is influenced through interaction with other resources; therefore the choice of counterparts and their resources is of crucial importance. In the inclusive connectivity project, the main actors were the network supplier Ericsson, the mobile telephone operator Vivo and the NGO S&A. These three all had different resources and by interacting and connecting them they could create the inclusive connectivity. The different resources among the three main participants in the project can be described in the following terms: Ericsson stood for the technology creation and the equipment, Vivo for the technology implementation while S&A had local knowledge and acted as an ambassador in the local network. S&A acted as the link to the communities and coordinated the resources and implemented the use of the connectivity. They also had the necessary legal permits in order to have access and be able to do any activities in the area. Moreover, S&A had past experience from the use of solar power from the installation of 12 telecentros in the area, a knowledge which was important for the installation of the radio base in Suruacá where the only electric power came from diesel generators.

The involved actors necessitated each other's resources in order to obtain the objective, while individually their resources were of less or hardly any value in terms of creating connectivity in the Amazon area. The radio bases, for example of Ericsson are of "no value" if no-one operates them. S&A on the other side has a lot of local knowledge and an established communications network, but they do not produce radio basis and therefore have a less efficient communication than with the mobile connectivity etc.

Resource combination with not only a new actor – with a new type of actor: NGO TENSIONS?

As discussed above, the Amazon project included the cooperation not only with Ericsson's customer Vivo, but also with the NGO S&A. The value of the project depended on the interaction with a partner holding the local and social knowledge set which both Ericsson and Vivo lacked. Ericsson had never cooperated with S&A before, and the new interaction implied not only an unknown actor but a new type of actor in terms of "non-business" – an NGO. NGOs have different sets of resources as well as ideas, unlike the ones of private enterprises such as Ericsson and Vivo. The rational and logic in NGOs' *raison d'être* is quite distinct from profit seeking companies. They are usually dependant on their member base in order to get funding, both private and public, and they attract members through their ideals and objectives. This is quite contrasting to a private enterprise which generally attracts its stock owners through monetary profits. NGOs must be true to their ideals in order not to loose their member base and consequently also the funding, something that leaves little room for

⁴ Focal unit of analysis for resources – Radio Base? Seems only to be working to a certain extent... Maybe I could use it at least in the resource part?

adaptation and compromises when cooperating with other entities. The same goes for companies who have to comply with their short term, usually three months profit goals. Logically these basic differences can cause problems in finding the middle ground among organisations when cooperating. Of course, as described above it is clear that the three actors have an opportunity to leverage on each other's resources and the new combinations. They are all necessary in the project in order to reach both monetary and societal results. However, even between organisations with the same value basis it can be difficult to coordinate resources, especially at an initial stage, the challenge is even greater in these cross-organisational alliances. Concerning both this project and when discussing the "network society" the coordination of the essentially diverse actors involved is underlined as a highly complex task:

"Unquestionably, the mobilization of all stakeholders towards this common goal constitutes a great challenge"

"It is really hard to work with someone that is not profit oriented"

An example of the problematic coordination of resources among the actors appeared during the following step after the implementation of the connectivity in the Amazon area; the actual usage of it. During the phase of the definition of how to make use of the radio bases and the 3G connectivity, there was a friction in how the different actors' wanted the resources to be applied. Ericsson for example wanted to start testing the use of e-health devices internally produced in Europe. This idea was not in line with the leaders and the resources of the NGO S&A who turned down the initiative. In order to implement and test the e-health equipment, Ericsson had to find a new actor with more aligned resources and is currently in contact with a local UN initiative.

The resources *change over time* and new and existing resources interplay. They are products of their history. Earlier interactions create the basis for current interactions; the development and adaption produce costs, and become heavier over time when developed together. Ericsson and Vivo have a history of co-operation in Brazil and have laid out **quite many** telecommunication networks with several 3G radio bases together⁵. On a regional scale Telefónica, of which Vivo forms part, is Ericsson's biggest account in Latin America and even on a global basis it is one of their main customers. This implies of course there is a lot of history in the relationship also in a wider perspective apart from the local Brazilian level. The inclusion through connectivity project can be seen as a resource that is one of the results of their business history together. Without the history and the *trust* constructed, i.e. lacking the investments in the relation, it would have been more difficult to work on the inclusive connectivity project. Given the non-defined expected results and the lack of experience and knowledge of a project of this kind adding to the overall insecurity, it could have been even close to impossible to do. The project did not need big investments on Ericsson's part in terms of products despite them doing the first part, Belterra, completely pro-bono. One or two radio basis in global and even regional terms has hardly any financial impact. Despite them starting to charge Vivo for the outsourced work to suppliers in the second phase, Suruacá, the project did produce costs in terms of man hours⁶ dedicated to it, many meetings, travels and such. Of course Vivo invested in the project too and even though the radio base did not need any specific adaptations, organisational adaptations occurred between the companies in terms of for example alignment of strategies etc **XXX**.⁷ In a longer perspective the project has thereby added to the history of the relationship and Ericsson's intention is for the cooperation to result in more projects. By being closely connected the probability Vivo chooses Ericsson as partner

⁵ How many contracts/radio bases in cooperation with Vivo in Brazil?

⁶ Awaiting more exact amount of man hours

⁷ This investment in increased interaction both in deeper and broader terms will be further discussed below.

in future similar projects would increase. The heavy relation in terms of new knowledge built together would push Vivo to choose Ericsson for a future project of the same sort in order to avoid making the same investment again. The companies would then get more adapted to each other, which in turn would make the relation become heavier still.

The *embeddedness of the resources in their context* has to do with being part of several resource combinations. The resource exists therefore in several contexts simultaneously, as for example where they are being used and produced. In this case of the inclusion through connectivity project, the physical context is of great importance due to its extreme nature. The location of the communities in the Amazon jungle caused changes in many different areas connected to the radio bases. For example, the logistics were quite different than usual since no airports are found close to the sites, bad roads lead to Belterra and Suruacá can only be reached by boat.⁸ The business relations needed to be adapted in this project and a local NGO needed to be introduced to the relationship to solve several issues. These changes in the context lead to the new connection of the 3G radio base to a new actor and a new surrounding at the same time as it is still embedded in its earlier contexts of “regular” business too being produced by the same supplier network as before.

There have been some substantial adaptations of the production process in the manufacturing of the radio bases in the production unit in Brazil the last five years, but not due to the Amazon project per se. They have been working on fulfilling and surpassing the RoHS requirements which is part of the global adaptation to the company’s sustainability strategy. In relation to the connectivity project in the Amazon, the RoHS production adaptation could be interpreted as important. It could be seen to enhance the project’s trustworthiness given that they use “sustainable resources” being an initiative with social responsibility objectives.⁹ The importance of the global image of the project in terms of CSR has been seen in other instances, for example the scrutinizing of NGOs in the selection of local partner by the participants in order to maintain the alignment of image and avoid any “attacks”. When S&A was chosen as the local partner, there was quite a thorough selection process to make sure the organisation was aligned in all aspects not only to the project objectives, but also to the CSR values. “We could not work with an NGO that at the same time was funded by a company that polluted the river further down the stream...” This implies that using a sustainably produced product could most certainly have the same effect; social-goal and product alignment is of great need in terms of the value and credibility of the project. The contexts of the product are therefore many and consequently even more factors need to be considered.

Change to a resource causes *tensions* in different focal and related interfaces. On the production side, there were no real tensions due to the installation of the radio base in Belterra and in Suruacá the only adaptations needed were external to the radio base; solar panels were set up due to the lack of electric power in the community. Since Ericsson had this knowledge internally from similar projects in other parts of the world, they could solve it without causing heavy adaptation costs. This did induce a change to the resources needed in Suruacá and Ericsson had to find a supplier for solar panels since this was something completely new and could not be delivered by any of the already connected suppliers. There might be adaptations made from past networks, of course, but this would be part of the product history not the Amazon project. The adaption to RoHS standards in the actual production of the radio bases is as discussed above despite not being directly caused by the Amazon project, indirectly connected in terms of the holistic CSR view. Major adaptations have been necessary to be done by Ericsson’s regular suppliers in this process. They did not protest when the new requirements were induced, since they knew the entire industry is

⁸ More details on what the exact changes were?

⁹ Was this something that was considered?

changing and that the demands from Ericsson were not “extreme”. But of course there were some tensions in terms of change of the production line, materials used etc.¹⁰

The greater the *intensity of the interaction*, the greater is the effects of a specific change. The effects of the increased intensity in the resource business relationship between Ericsson and Vivo were quite significant in the Amazon venture. The Vivo account was one of the “worst” ones in Ericsson Brazil’s customer portfolio in terms of good relations before starting to work on the inclusive connectivity project. After around 18 months on the initiative, it was instead considered to be the best one. The increased interaction with the client due to the cooperation has led to enhanced closeness in the relation; it has become deeper. This transformation has been described as the transition of Ericsson vis-à-vis Vivo from being solely a supplier to becoming a partner.

“They see us as a partner now in the task of changing people’s lives.”

One implication of this deeper value and more profound relationship can be observed in for example a situation where the client would choose another supplier instead of Ericsson. Earlier Ericsson would just have had to “accept” it. Today they feel they could address it, try to *influence* the decision given the changed relation in terms of partners rather than merely being “one of the suppliers”.

“As a partner you have the right to complain.”

Another example of when this deepened relation has come to produce effects is the influence of Ericsson in Vivo’s new sustainability plan/strategy, especially the section concerning the smart cities initiative. Vivo basically based their smart cities strategy on Ericsson’s so given that their plans in this initiative are practically aligned now, it is expected that the co-operation at least in this area will continue. The alignment of strategies and becoming part of the customer’s sustainability and CR plan is according to Ericsson in part due to the connectivity project. Through customer involvement, i.e. alliances instead of sales, enhancement and transformation of the customer’s CSR activities have been reached in cooperation with Ericsson. It has been described that many other customers still see CSR as merely philanthropy, and Ericsson is trying to **influence** this vision by being the pioneers, first movers in the area. “And we do surprise them”. **Connect to radio base?**

Business relationships are also affected by the *broadness of the resources and issues in the interaction*. By introducing a new subject, i.e. CSR in the relation apart from the “business as usual” in terms of network supplier and operator, the contacts and interactions in the co-operation between Vivo and Ericsson were multiplied. The inclusive connectivity project broadened the issues dealt with in the relation between the two, and the increased amount of “contact areas” has given Ericsson more space and more channels to communicate additional ideas for business to Vivo. In other words, Ericsson has more room today in time and space for trying to make new sales and enhance their business with Vivo. The project is described as a new way of selling ideas and innovations to the customer. A sequent consequence is the positive financial and general results from the project which had an impact in the willingness of the customer to listen and be more interested in similar and other types of projects. After putting up the antenna in Belterra Vivo found that there was a market that they might not have considered enough earlier, with thousands of similar cities in Brazil only – and quite many more regionally and globally.¹¹ Ericsson believes that their image in front of the client has changed in terms of today being someone they can do a wider span of activities with in more areas than before. Not only the spectrum of activities, but also Ericsson’s role in

¹⁰ More data on the specific changes

¹¹ What is the value of this for Ericsson? Does it increase the trust from the client? DO they see Ericsson as more competent now? Has this made the relation deeper (in terms of trust)?

the eyes of the client, has broadened. Instead of being someone that merely supplies networks they are now an innovative partner who can achieve connectivity in rural areas and so on.¹²

One specific example of the use of the broadness in the interaction and the relation is the relation to Vivo's CEO. The CEO is a very important actor to have a good relation with for a supplier like Ericsson given his influence on the company. In Ericsson's case, the client's CTO is the most important contact, and given their mutual interest in issues concerning the business etc Ericsson's key account manager has daily contact with him. The common ground makes it fairly easy to maintain a close relation to the CTO, however with the CEO it is much more difficult due to the lack of natural "common interests". The CEO is usually much occupied which results in little access for influence through him for Ericsson. It is explained that in order to maintain a good relation to the CEO you can not approach him with just any matter, you need to present something that you are convinced he would be interested in or be in need of. Should you contact him concerning something that does not add value you would rather be making the relation worse instead of enhancing it. Vivo's CEO's interest and engagement in the *Connexão Belterra* initiative served as a natural way for Ericsson's account manager to broaden the connections and enhance his relation to him. It was with him the project was discussed even from the start when it was still on an idea basis.

Ericsson has not been much in direct contact with the Brazilian government in general; but it is expressed to be of importance to be seen as a "good citizen" by the government and by the communication's ministry in particular. The role of governments has been altered lately for Ericsson due to the focus on the network society. In this perspective governments' importance in terms of being mostly telecommunications regulator is broadened and other ministries such as education, health etc are becoming more central. Ericsson's interaction with governments is therefore supposed to be broadened and include these new areas of "business"; connecting hospitals, universities and "all things that gain from being connected" in the network society. Their image in terms of being a good "citizen" would then be enhanced and an indirect effect from the additional relations between Ericsson and the government could be that they become more interrelated and interdependent with the telecom agency as well than before.

The Amazon connectivity project can be seen more explicitly as a direct opportunity to build new relations and trust with the telecommunication and other ministries. Ericsson Brazil has not yet leveraged on these opportunities in their relations to Anatel due to internal reorganisations.¹³ According to the staff in strategy and marketing at Ericsson Brazil the intention is to leverage on the *Belterra* project in the near future. For the time being the project is used implicitly as another "building block" for the **trust** in the relation to the telecom regulators, acquired from the enhanced general positive image of Ericsson. In the new organisation structure G&I will be working in the same group as the CR responsible so at least the structure will allow for cooperation between the two entities. The CSR strategy has already been applied in relation to telecommunication regulators in other parts of South America. An example of this is an event done in 2010. Ericsson had invited the telecommunication regulators in a certain country to an event concerning a very specific issue related to the frequency of the bandwidth that was going to be decided upon. Ericsson's intention was to influence the decision makers for Ericsson's preferred choice. As one of their main arguments, they used the "broadband is good for the development" to influence the bandwidth decision given the emerging market they were in. The deepening and broadening of the relationship also makes it more unique, and consequently further difficult to imitate.

In the *time dimension* resource interactions are defined as to be *long-term*. The content of the interactions develop over time and the imperative stability is also achieved over

¹² Exact same wording in the data as in the theory! Broader and deeper

¹³ Reorganisation of the G&I group had made the activities "non-creative" due to change in the personnel

time. Another factor in the time dimension is the use of resource investments as well as the balance between stability and change. A resource needs to be stable in terms of reaching economies of scale but change is also crucial in order for creative development. One important result of the Amazon connectivity project has been the alignment of the CSR strategies between Vivo and Ericsson (described above). In the time dimension this can be seen as a stabilizing effort in order to maintain the relation. The investment in the project by Ericsson, in terms of doing it pro-bono was an investment¹⁴ in the relation to one of their most important customers. Both in the shape of a deeper as well as a broader relation, the focus have been on the long-term gains as a preferred supplier and stable partner of Brazil's biggest mobile telephone operator. The "breaking of new ground" in terms of rolling out a network with social objectives in a "non-traditional" geographical and demographic area, compared to a normal 3G roll out based on the usual economic rationale, the project does not only have stabilizing effects, but it also has a focal point of change and creativity. The project can therefore be seen as stabilizing for the relation on a long-term basis, while the results in terms of the finding of new markets, products, testing areas are more focused on the gains from the effort of change. One interpretation could be to see the Belterra initiative as a part that could be scalable in other locations, while Suruacá stands for the more creative and innovative element. Still, even in Belterra, while seeking scalability new knowledge was created when running into problems. For example due to the unexpected demand, there was need for adjustments. The innovations in Belterra were still not as extreme as the ones in Suruacá. In general, Ericsson describes all their relationships to customers, political entities etc as long term. If you loose one, there are not that many left "out there"... Everyone is crucial. **All relations** among the few actors long-term – quotes **First mover?**

In the *space dimension* the focus of *heterogeneity* is on the potential in finding new ways to improve the combinations of resources with others. Through interaction find and create new uses while using already existing relations and structure, which in turn results in even stronger relations. The Amazon initiative implicated a new type of resource combination between Ericsson and Vivo than what they usually had. Instead of combining their resources only in order to reach profitability, a new objective was added to this project in terms of social results which of course in the end was intended to translate into business results as well. They were just not certain exactly in what form the results would appear, or if they would emerge at all. The effects were complicated to foresee since the project was the first of its kind for Ericsson Brazil. Ericsson's purpose was to do a CR-project, get closer to the customer, enhance their brand image positively, but they could not do a "normal business case analysis"¹⁵ given the many unknowns in the project surroundings. The main idea of the general global strategy of Ericsson with focus on CR and sustainability is to leverage on their core competence and resources as well as relations in a new idea setting – "the core is more". Their main activity has always been extending communication all over the world, while today part of the main message concerns society's need of access to communication in order to reach social development goals etc. By using the already existing products, networks and structures they are introducing new ideas, new ways of interacting and new partners (S&A) in the search for enhancement of the business. Almost two years into the Belterra project, Ericsson Brazil says that the results are of a kind that they had not anticipated.

Results from the new uses of resources in the project

The effects of the inclusion through connectivity project in the Amazon are many; of which some have already been presented in terms of enhanced relationships etc. One of the major results from the project was the unknown market in the Amazon area. The existence of

¹⁴ commitment

¹⁵ According BNW this is "never" possible... ?

cellular phone users was a major “surprise” which was discovered even before the public launch of the 3G signal. The new connections and combinations of resources in the inclusion for connectivity project lead in other words to the finding of a new user base. The hard to foresee demand in the area resulted in poorly calculated time for return of investment (ROI) in Belterra which after initial problems with the installation of the strength of radio signal etc became a success in terms of the amount of end-users. An indirect effect of this unforeseen result translated in possible future similar business cases in many more regions in Brazil, Latin America and even globally. Given the deeper and broader relation to the operator in terms of partnership as discussed above, Ericsson Brazil, they see the possibility of discussing the matter with Vivo should another supplier be chosen for future similar contracts.

Some other results that came out of new combinations of the resources among the involved actors were new innovations and the use of the site as “laboratory” for new products. Some examples of products/services that have been applied in the project are for example software for learning English through the cellular phone, introduced by an **Israeli** company. The around 50 licenses that were donated were to be tried to see how well they worked. The suggestion for the test of this was based on the idea of “making their (the Amazonian communities’) voice heard” and spreading knowledge about the Amazonian culture and the goals of social inclusion as per the S&A project objectives. Another product that was used as part of the project by S&A was questionnaires sent by sms. An indirect effect from this was its further application in a “non-project related” use nation wide by Vivo. The Suruacá part was more “aggressive” than Belterra, more of a lab since there is no energy etc available and thereby a more “extreme” part of the project in order to gain even more knowledge. The project is not only used for new products and services, but also a place where already existing products can be sold in different shapes than in for example Sao Paulo to the different group of the base of the pyramid consumers in the Amazon.

Connectivity solutions are according to the Ericsson’s marketing messages supposed to make society better, to improve people’s lives. The project in the Amazon was an opportunity to actually see/test this, a laboratory for these ideas. It was a place with no connectivity where the actual impact could actually be measured. Given the new group of consumers, the project was also used as a consumer laboratory studying the end-users.¹⁶ The project also produced a great demand internally on the regional CR-unit from many (the majority?) of the major account managers in the Latin American region of doing similar projects in their home arenas.

Activities

The activities of a company, just as the resources, exist in a larger context than a single business and are influenced by an interactive world. Due to *dependencies* on other activities, there is a need of *synchronization*. *Adjustments* are made in order to handle interdependencies and to *enhance performance*, so also in the Amazon project. The area geographically speaking is hard to reach and most of the time S&A’s boat was used for the synchronization of logistics when going to the communities. Given the lack of accessibility the expeditions were not executed for only one specific activity, but instead coordinated with several. For example when a workshop was managed by Vivo and executed by S&A, it was coordinated with the Ericsson team when they needed to adjust the radio signal. This way, the visits and logistics were more efficient. These *adjustments create interdependencies*, and in Ericsson’s case they could be said to be dependent on S&A in order to reach the radio bases and S&A were depending on Ericsson for example in terms of lowering the logistics costs.

¹⁶ There is more data on this, more specific numbers etc of the actual results

According to the business network perspective, the same *adjustments* that enhance the *functioning* and the efficiency also make them more *specialized* and harder to apply and make use of in other settings. The involved actors in the Amazon project underline the importance of the scalability of the activities undertaken. To be scalable the project has to include both specialization and adaptability, i.e. it had be possible to reproduce as well as adapt to a different setting. For example, Ericsson and Vivo wanted it to be scalable in the search for profitability through economies of scale, and the unexpected results in terms of unknown demand and many similar towns as Belterra witness of the enhanced profits available if scalability is reached. The scalability is important also for S&A in order to use it in their lobbying for funding of similar projects with the Government and to enhance their “development” results in terms of more social inclusion etc. The scalability that had been reached by S&A in earlier projects in suburbs for example, was not easily implemented in the Amazon area and thereby the project was less efficient, due to the difficulties concerning for example the logistics. However, the intentions were to make the specializations developed in the Amazon project usable in future similar projects within the same type of area and/or initiatives. The possibility of replication was hard to achieve though, because of for instance the vegetation; differing height of trees and density of foliage in different locations made the radio signal act quite differently and with very differing results. What in one area worked perfectly, in another there was hardly any signal at all. The use of solar energy is an example of knowledge acquired from earlier projects in other countries and applied in the Amazon project. Another feature of scalability in the project was the choice of technology, i.e. 3G.¹⁷ This technology had been applied in a huge number of locations before, and has since long reached economies of scale in Ericsson. As the head of Ericsson Latin America said “we sell millions of radio basis, one or two more represent a highly non-significant cost when it is seen from a global perspective”. But, as described above, it needed adaptation in the Amazon project due to various circumstances.

In the *space* level, the activity linking and coordination across boundaries of firms through outsourcing etc is in focus causing *interdependencies*. The activities are interdependent since they both depend on and affect others. The interactions take place all over the network and are related to each other over time. The claim “...what, who and how cannot be decided by a company in isolation” (Håkansson et al, 2009, p. 101) is very clear in the Amazon case. The three main actors were doing different activities, performing different roles and the project would not have been possible without the coordination of all three actors’ activities. Ericsson needed to coordinate its activities with Vivo’s – or another operator - in order to do the project, and they both needed a local ambassador and activity coordinator. If the installation of the radio base is chosen as a focal activity, the reaching of the site could not be done by Ericsson alone, they needed to coordinate with Vivo who was in charge of the suppliers of the antenna and its installation, with S&A who had the knowledge and “suppliers” for the logistics as well as the permits to enter the area.

In the *time* dimension stabilization in terms of *successive specialization* and modifications are in focus. Through adjustments over time, even when stabilized the activities are constantly evolving. There is a balance between the need for cost efficiency and scale economies vs variety, customization and uniqueness, between similarity and diversity. The search for scalability in the project was described earlier, something that seems very central for the main actors involved. **What is the difference between this and the adjustments above?**

¹⁷ More data on this

Actors

Instead of studying the actor in rational terms of “the economic man” or alike, the actor in the business network approach is based on interactions. The actors’ role is to interact with others in order to combine resources and link activities. The outcomes are seen to depend just as much on the actions of others as those carried out by the focal actor itself. What is more, the identity of “the interacted actor” is defined and formed by the interaction with others. Through interaction, bonds are created among the actors and they become embedded. Everything the actors do in the business landscape involves resources and activities which lead to consequences for others in the network.

The *jointness* between actors in *space* is not only meant in geographical terms but also includes links of knowledge, technologies, investments, cultures etc. The relationships are seen to develop due to the involved actors’ intention of solving problems and if the actors believe they can develop together. Because of this jointness in space, the actors evolve through interaction; hereby the *time* dimension includes (constant) *co-evolution*. From a time perspective the co-evolution with others is what makes the actors what they are today. Vivo and Ericsson have **history together**, as described above and have during their many contracts adjusted their resources and activities to each other. The Amazon connectivity project shows they believe they can develop together given the many unknowns in the initiative. The results of the project can be interpreted as the co-evolution and development of the relationship in terms of the testing of new innovations, the strategy alignments of the smart cities, the new-found markets etc. The change of the relationship from only supplier and customer into an intended partnership in the creation of social inclusion through connectivity is another feature of the customer involvement and the co-evolution. In the alliance they created solutions together with all involved actors, including S&A.

The co-evolution also comprised the local end-users who were active in the usage and adaptation of the products. Some of the adjustments made to the use of the connectivity was invented and applied by them. The concept of co-evolution is aligned with one of the main features in the objectives of S&A’s educational work in the communities; the idea of reciprocity. Their objective concerns the co-creation of solutions with the local communities, instead of a one-way communication. The local involvement was attained in the 3G connectivity project, exemplified by the resolution of some technical problems concerning coverage in some areas. Apart from communicating the lack of coverage to S&A and Vivo in some areas, and showing interest for the attainment of more, some solutions were invented by the local users themselves. The radio signal travelled well along the river and thereby reached more communities than anticipated. In these however, the coverage was only attained on the river banks, something that can be problematic in a place where heavy rains are fairly common during parts of the year. On their own initiative people in some communities bought a hardware that could be connected to an antenna and thereby get coverage. Of course this made the cellular phones less mobile, but the problem of lack of communication was solved. The investment was quite important given that the device cost around US\$ 150, something that shows quite a compromise to the matter by the local users.

The focus of the business network approach is not merely on the effects on the entities that are in direct interaction with an actor. The wider effects outside the actors’ rational, logical and manageable “small worlds” are just as important, where the reaction and the intent to influence others are in focus. The “*big world*” is crucial for understanding the business landscape including its *possibilities and constraints*. So far, the analysis has mainly focused on the level of the project’s effects in the “small world”. The focal point in the business network approach as described here is not merely on the effects on the entities that are in direct interaction with each other. The wider intended and unintended effects are just as important. These suggestions reach the conclusion that an actor is highly dependant not only

on the closest relations, but also on distant ones in the network. The “bigger network” has implications on the identity, the success, the relationships, the knowledge etc of an actor and in this perspective the actor itself in isolation has a marginal role and need to work and create bonds with others. The network therefore limits what can be done and no actor can dominate it entirely.

Widening the perspective to consider also the broader effects of the inclusion through connectivity project, an important connected relation is the one to the state actors. Even though Ericsson has not been in direct contact with the Brazilian government much in general, other than with the telecommunications ministry, the governmental entities have become more central with the new business areas identified such as education, health etc. One example of an indirect outcome was the “door opening effect” of the project to get a meeting with officials within the area of meteorology in order to showcase a new technique. The Amazon project was used as show card not only to get the meeting but also in order to enhance Ericsson’s **credibility**. The project has not only served as a door opener to a different ministry than the communications ministry where Ericsson already has good relations, it is also seen to help enhance the positive image of the company in front of the telecommunication regulators in Anatel (as discussed above).

In a further step looking at more interdependent relations in the network, given their good connections¹⁸ many customers go through Ericsson to reach Anatel with their messages. This intermediary role is explained to exist since the network suppliers have a completely different relation to the regulators than the operators, much less conflictive due to the lower level of political impact.

“If I have a good relation to my client and I help them in their conflicts with the government, or to get rid of a problem, surely the trust that the client will have in me grows and probably result in or impact a future sale”.

Vivo on the other hand has more established and closer relations with the government and the different ministries than Ericsson.¹⁹ According to Ericsson they get quite a lot of assistance from Vivo when it comes to the contact with the education and health ministries. Through the cooperation in the project Ericsson’s relation to Vivo has been enhanced and thereby also their availability to Vivo’s governmental connections, which are more central not only in terms of regulators but also as customers with the network society focus. Officials from the government are invited to inaugurations, events etc where Ericsson (and Vivo) promote innovations and push for development in the area of connectivity and communications. On a regional level, the education ministry for example was involved in the “making use part” of the connectivity in the Amazon project. As a part of the region Para’s education ministry’s digital education initiative, they did a documentary about the “make your own video” programme using cellular phones by Vivo and S&A. S&A has had quite a lot of interaction with the government as well, especially with the communications ministry in the telecentro digital inclusion projects. **(WHERE THESE USED?)**

There are relations even further out in the network that can be affected by a project such as the one in the Amazon. The telecommunications industry is not only regulated on a national level, but also has important international standards that are set by foremost the UN, in the shape of ITU. Ericsson works with the UN on a global level in CSR projects such as Millenium Villages²⁰ and due to the problems with the testing of new equipment with S&A, the head quarters suggested that Ericsson Brazil work with Unicef as a partner instead. Partnering with UN in CSR projects can bring benefits according to UN’s website. It is suggested that due to their close relations to the governments, many times their

¹⁸ There is a lot of input on these

¹⁹ This should be further explained ... query to Luis!

²⁰ Description in the empirical part

representatives are from the different national governments, business can leverage on these connections and through the UN get better contacts with governments.²¹ In Ericsson's case, apart from the general image and the enhanced **CRED** of the company, the expanded relations to the UN could be expected to improve the possibilities of influence in ITU. Projects such as the one in Amazon have been used as showcases to the UN, for example in the COOP16 in Mexico 2010. Ericsson's participation in this meeting included for example the leading of creation of the creation XXXXX by the HQ and a presentation of the Amazon project was given by Ericsson Brazil. This shows that the local project is used to enhance Ericsson's relations to the UN on a central level.

Some of the arguments used by the UN in order to attract private enterprises to join collaborations with them include both NGOs and governments. The UN means they can assist companies in identifying NGOs for cooperation and UN's unique relationship with governments can also be leveraged on by companies collaborating.²²

The indirect effects on the relations to the ITU, would come both from the HQ work with the UN on a central level, and these relations in turn would be enhanced through the Amazon project initiative and results.

Indirect – add to the HQ general image in front of ITU (check ITU objectives)

IMPLICATIONS OF CROSS-SECTOR RELATIONS IN THE BUSINESS NETWORK

- Different raison d'être applied to the behavioural focused business network -

Legitimacy

In business network the interdependence is based on trust and commitment, concepts that are central for business relations. When adding socio-political actors, Hadjikhani et al introduce the concept of legitimacy. They define legitimacy as the other network actors' perception, in terms of appropriate action. Among business actors the legitimacy is mostly based on the opinion of the suppliers and customers, while the legitimacy of the political actors is perceived by both business and the public. The interdependence for the political actors is based on for example the creation of jobs and tax income, which give them legitimacy towards the public. (Hadjikhani et al., 2008)

In the business-NGO relation literature the legitimacy is described as one of the most important reasons for cooperation. For example it is said that alliance with nonprofits can enhance the company image as well as repel attacks from environmentalists, (Hartman and Stafford, 1997). It is also expressed as a way to improve public relations (Milne et al., 1996), to enhance legitimacy and credibility (Arts, 2002), to show "good business practice" and a socially responsible business as well as to achieve credibility and trust with the subsequent consumer loyalty (Bendell and Murphy, 1996). Finally, the business can receive positive media attention and NGOs' high public credibility (Argenti, 2004) as well as improved social status from the enhanced reputation (Vachani et al., 2009) et c. Argenti (2004) also mention the role of the NGOs as filling the trust void caused by many companies in the last decades. (Argenti, 2004) **NW - Also the business' image in front of the Government, UN and similar?**

²¹ <http://business.un.org/en/documents/F153>, 2010-10-31

²² <http://business.un.org/en/documents/F153>, 2010-10-31

The legitimacy gains for NGOs are presented in terms of the higher efficiency achieved compared to for example lobbying. (Hartman and Stafford, 1997) and some mean that the environmental gains are greater when collaborating with business than with other actors (Arts, 2002). There are some risks involved though for the NGOs. Hamann and Acutt (2003) mention the loss of credibility and legitimacy, which have been commented upon by many scholars (Stafford and Hartman, 1996), (Hartman et al., 1999), (Bendell and Murphy, 1996), (Koljatic and Silva, 2008), (Argenti, 2004). Entering collaboration with an actor you are supposed to be controlling implies an obvious risk of loss of public credibility. However, the NGOs can maintain their critical view even in a partnership. (Hamann and Acutt, 2003) To avoid the risk of loss of credibility scholars have mentioned different solutions; scrutiny proof programs, openness with the media and the independence of the participating organisations, i.e. no one is working *for* the other (Hartman and Stafford, 1997); independence of the NGO and the avoidance of the image of an NGO “selling out” as well as (Argenti, 2004) acknowledgement of the interests involved in the project, such as brand enhancement and funding (Macdonald and Chrisp, 2005). Business, on the other hand, risks sharing sensitive information with an outsider and becoming scrutinized by other NGOs given their communicated green or social strategy. (Yaziji, 2004)

It seems as the co-operation among MNEs and NGOs is based on legitimacy, as the one with political actors. However, the MNE is the actor striving to take part of the legitimacy the NGOs have. It appears therefore as if MNEs are also, as political actors, dependent on the public opinion given that the public also wears the hat of consumers. NGOs role is to control the actions of the MNE, and if they have a too close co-operation they loose their legitimacy, and consequently they would lose their legitimacy. If the MNE has entered the relationship to attain legitimacy from the NGO, if it is lost the relation would loose value. The same situation applies for the interdependence versus the independence. Many scholars have underlined the need for the NGO to maintain independence in order to keep its legitimacy, while in the network model the interdependence is the keyword.

Commitment

The commitment can be seen as the size of investment or the actions towards the counterpart. In the case with relations to political actors, the establishment of a political unit is an example. The commitment often needs to be greater when entering a new market. (Hadjikhani et al., 2008) The financial donations seems to be one of the main commitments that NGOs are looking for in a relationship with business (Milne et al., 1996), (Jamali and Keshishian, 2009) But apart from the financial resources, managerial efficiency, technical expertise etc are factors that make the collaboration interesting for NGOs. (Jamali and Keshishian, 2009) **knowledge and experience**

The commitment business is said to be looking for in the NGO are for example the learning opportunities within the relatively new field of CSR (Vachani et al., 2009), NGOs superior use of strategic communication (Argenti, 2004), to receive technical assistance (Milne et al., 1996) and NGOs ability to focus on one issue at a time (Argenti, 2004). By partnering both organizations can attain new knowledge from the other sector. (Starik and Heuer, 2002) Organisations that had experience from this sort of collaborations appear to be positive concerning the co-operation. (Milne et al., 1996) It seems as if the commitment of time and effort is of relevance when entering cross-sector relationships (Argenti, 2004). Stafford and Hartman point to the complexity of the collaboration and underline the importance of patience and management savvy to be able to handle the differences in values, organisation structures and decision-making styles. (Hartman and Stafford, 1997) Others point to the new roles and structures that appear for cross-sector collaborations and therefore focus should be on the process rather than the outcomes in order to be successful. They even

write that the “network champions” that manage to integrate learning from the different actors will be the new form to compete in the 21st century. (Hartman et al., 1999) With experience the trust grows (Bendell and Murphy, 1997). Various scholars use Austin’s progressive framework and its three stages; philanthropic, transactional and integrative to analyze the NGO-business co-operations (Berger et al., 2004), (Jamali and Keshishian, 2009). Kourola and Halme see CSR as source for new business innovations and include these as a fourth step in the framework. (Kourola, Halme, 2009)

One of the conclusions drawn in Hadjikhani (2008) is that there are no financial bonds in their cases. This is a logic conclusion, given that a financial transfer from the company to a politician could be illegal in terms of bribery.²³ When it comes to the relations of interdependence between NGOs and MNEs, there is most often a financial exchange, although not similar to the one in a business-to-business relationship. Instead, there is often a philanthropic aim and the direction is from the business firm to the NGO. If these donations should be considered commitments is however unclear given their difference compared to investments and since they are not necessarily made in conjunction with any further cooperation. Another however similar point is the one regarding experience, the more experience the more trust (trust as an outcome of commitment) and thereby a more positive view of the cross-sector relationship. And the commitment mentioned in the business network perspective could be translated as for example having a dedicated manager to the NGO-project.²⁴ Finally, Austin’s framework could be interpreted in terms of level of commitment.

Trust

Trust can be seen as either the driving force or the result of commitment. It is defined by Hadjikhani et al (2008) as “the benevolence of the counterpart’s actions towards the achievement of mutuality” (p. 914). The nature of trust among political actors can be general, in the sense that all can affect their legitimacy and the public opinion concerning them. Business actors are also described to use the trust of society to reach the political actors. Differences in the level of trust and commitment explain different levels of interdependencies in the network. New relations naturally need more attention to build trust than already established ones. (Hadjikhani et al., 2008)

Trust and uncertainty is discussed by Koljatic and Silva (2007). According to their study, limited but still interesting, they find that reducing uncertainty is more problematic in cross-sector alliances than in business alliances mostly due to the lack of formal contracts etc. (Koljatic and Silva, 2008) The difficulty of achieving trust in a cross-sector relationship is explained in terms of social distance by many scholars. (Macdonald and Chrisp, 2005) Pappi and Henning, for example, describe network governance which involves both public and private actors. Since not actual “commodities” are being traded, only “promises” there is a great need for trust among the network participants. Nevertheless, given the differences in the nature of the participants, i.e. the social distance, the trust is expected to be more difficult to reach. (Pappi and Henning, 1998) Trust is the main-theme in the collaboration success described by many other scholars, especially in terms of differences in values, organisation structures, decision-making styles (Bendell and Murphy, 1997) (Milne et al., 1996) (Hartman and Stafford, 1997) (Arts, 2002) (Hartman et al., 1999) (Argenti, 2004)

Trust is described by both perspectives to have a very central role in the relationship. Given that CSR is a quite new area for many companies, as well as the co-operation with NGOs, much trust is needed as explained in the business network for new projects etc. Even more so, trust has a central role since the relationships among business and

²³ Naturally the inverse flow of financial resources is quite common from the political to the business actors.

²⁴ This has been requested by several scholars in the business-NGO relation literature, however not described in this paper due to lack of space.

NGOs historically have been quite antagonistic. However, one major difference is that in business network, social actors are mainly described as a way to reach the political actors, not as “targets” per se. Another point that does not seem to be central in the business network is the problems related to the social distance between the organizations. Maybe this distance could be applied even for the relations to political actors?

Interactions (influence/adaptation)

The socio-political interactions are described to be either supportive or coercive. MNEs reply either by trying to influence or by adapting to the other network actors. Here Hadjikhani et al (2008) mention social actors specifically as they suggest that they also can act in either a coercive or supportive manner. One strategy is to try to convert the adaptation to influence in as many cases as possible, and thereby receive higher legitimacy and lower adaptation costs. One way to get more influence is by more commitment and knowledge. The role of the social actors is described as a mean for business to reach the political actors. (Hadjikhani et al., 2008) The cost of confrontations with NGOs is mentioned by Bendell as one of the reasons why business collaborates; it can be seen as a safer option. (Bendell and Murphy, 1996) Vachani et al (2009) discuss the same issue, mentioning the possibility of lowering transaction costs when entering a relationship with NGOs, especially in markets that differ significantly from the home market. (Vachani et al., 2009)

Milliman (1994) studies how the different organisations perceive each other in terms of unresponsive/radical and or responsive/cooperative. Due to different objectives and adaptability the relations evolve in different directions. The adaptable organisations with compatible goals reach partnership, while in case of inflexibility the relation would be characterized by misunderstandings. To overcome the problems in terms of conflict Milliman et al suggest that both organisations need to have progressive philosophies, be adaptable as well as patient and perseverant. (Milliman and Clair, 1994)

As mentioned in the introduction, the business-NGO relations have gone from quite antagonistic to co-operation. These terms in business-NGO literature could be translated as the coercive and supportive actions in business network theory. Another similarity is the transaction and adaptation costs. There is one major difference though, again in terms of the NGO legitimacy. If the firm, as suggested by the network approach, uses the strategy of influence to avoid adaptation costs, the NGO could lose too much legitimacy which would make the relationship less valuable.

Learning

Hartman et al (1999) define the complexity of the environmental problems today as one of the main reasons why cross-sector partnerships exist. Due to the complexity of the problem many types of expertise and experience is needed in order to find a solution or at least tackle the issues. They mean that by exploring the differences among the actors, the search for solution can reach beyond the limits of their different visions. (Hartman, 1999)

The complexity of the problem is also held forward by Starik and Heuer (2002) when looking for an explanation of why the cross-sector collaborations among business and nonprofits are undertaken. They mean that apart from the complex nature of the problem which require complementary skills and resources, they also discuss the need for the organisations to learn. By partnering they can attain new knowledge from other sectors. In addition the fact that environmental problems do affect all, implies that the issue needs to be assessed and dealt with by all. (Starik and Heuer, 2002) Some further factors that have been identified to motivate business to collaborate with NGOs are the increased social status from the enhanced reputation, learning opportunities within the new field of CSR.

Stafford and Hartman point to the complexity of the collaboration and underline the importance of patience and management savvy to be able to handle the differences in values, organisation structures and decision-making styles. (Hartman and Stafford, 1997) New roles and structures appear for cross-sector collaborations and the focus should be on the process rather than the outcomes in order to be successful according to these scholars. They even write that the “network champions” that manage to integrate learning from the different actors will be the new form to compete in the 21st century. (Hartman, 1999)

It appears as if the business network studies with focus on non-business key actors have mainly focused on so called political actors so far. The actors by some called “the third sector” or civil society actors such as NGOs, however, have not been in focus. In Hadjikhani & Gauri, 2001, there is a certain social focus, but the main focal point is still on the state and government actors. (Hadjikhani and Ghauri, 2001) It seems to oversee the intrinsic value of the relations to social actors, something also pointed out by Christmann (2002). Social actors’ role is still seen merely as a mean to reach the political actors (Christmann and Taylor, 2002)

As can be seen in the presentation here, there are some quite important differences among the socio-political actors in terms of legitimacy, commitment and trust that could be taken into account. Therefore, it could be a fruitful combination to integrate the business-NGO collaboration with the business network in order to get a more complete picture of the implications of the relationships on MNEs’ business activities in emerging markets.

CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES IN SUBSIDIARIES IN LATIN AMERICA – the Role of Strategy, Business Networks and Social Entrepreneurs -

Corporate Social Responsibility (CSR) is a very important concept for businesses today, in particular for multinational companies (MNC) with activities in the developing world. The developing world constitutes a significant market and the last decade has witnessed a rising interest in doing business in these emerging markets. Not least C.K. Prahalad’s oft-cited book “The Fortune at the Bottom of the Pyramid (2004, 2009) points to the importance for firms of including the world’s poorest people in their strategies and this can be linked to the increasing focus on CSR. According to Vogel (2005) some 80% of the largest MNCs deal with CSR on their web sites. One example of this trend is the Swedish multinational telecommunications network supplier Ericsson, who has changed their global marketing strategy from a solely technology focused one to focusing on the CSR benefits from communication. The general aim of this paper is to see how the CSR activities in a local subsidiary on a local market come about – or do not come about.

Given the importance of emerging markets in the world economy today, and the lack of focus on Latin America in emerging economy studies, Ericsson’s subsidiary in the emerging economy Argentina is chosen as study object for our case based research. The business network perspective will be applied as analytical tool. In order to apply the BNW in this case of strategy implementation, the context focused strategic perspective by Baraldi (2008) will be used as main instrument for analysis. This will allow us to see what parts of the network are needed in order to successfully implement the CSR strategy. The specific purpose is thus to study how relationships in the subsidiary’s local network affect the implementation of in this case the new CSR strategy. Questions will be posed such as: What actors influence the implementation of the new CSR strategy? How do they influence and why?

Traditionally business actors have been in focus in the network perspective. However, lately non-business actors such as political actors have been taken into the analytical scope by some scholars. Given the highly regulated telecommunication industry, the presence of political actors is very striking and they are therefore needed to be included in this study. Social actors have rarely been in focus in business network studies. However, when adding a CSR perspective, Non Governmental Organisations (NGOs) also become central actors and will thereby be included in this analysis. Many studies show that firms cooperate with NGOs for many different reasons and one in particular: NGOs have social knowledge needed for the successful implementation of CSR projects that many business firms lack. International federations, such as the UN, are other central actors both in terms of being a political and social actor and will thereby also be taken into account. The main contribution of the paper is to include these non-business actors – political and social - in the analysis of how a CSR strategy is implemented. **Keywords:** CSR, strategy, emerging markets, business network, political actors, social actors, social entrepreneurs

RELATIONSHIP DEVELOPMENT AND CRISES

- The case of Ericsson and Telefónica in Argentina -

Despite the extensive and lively debate about market and business crises and their uncountable impact on business relationships the phenomenon has captured the attention of few researchers. Among those against relationship incrementality some researchers elaborate thoughts on relationship weakening and death caused by counterparts' behavior, - relationship view- and some others imply for externalities such as financial crises -relationship context. Researchers rarely touch the phenomenon of crisis in relationship itself together with relationship conflict caused by turbulence in the relationship context. Challenging this gap the aim of this study is to develop a theoretical view for studying how firms manage their relationships when facing crises caused by the involved parties or by others in the context. The view widens the perspective on relationship development, deterioration and restoration. Based on a business network perspective, the paper develops a relationship view on knowledge, trust and commitment stressing *trust / distrust, commitment / decommitment* and *uncertainty / knowledge* as central explanatory relationship elements. The paper employs the seldom used longitudinal case study and discusses the relationship between the Swedish firm, Ericsson and how its relationship to Telefonica from Argentina developed during the period of 1998-2004. The process view is composed of three episodes: relationship development, relationship crisis and termination, and finally the episode of recovery. **Key Words:** Relationship crises, deterioration, restoration, uncertainty, distrust, decommitment, Ericsson, Telefónica, Argentina

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