

Intermediaries with one buyer and one seller

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Competitive paper

ABSTRACT

This study deals with intermediaries and the content of their role, when having one buyer and one supplier. The empirical data is collected from the Norwegian-Portuguese bacalhau industry, from which four case studies are presented and analysed. Norway produces bacalhau (salted and dried cod) while Portugal consumes it. Through the Norwegian-Portuguese bacalhau network's more than 300 years history, there has been a lot of friction due to the actors' interdependence and conflicting interests. At one point the lying and stealing seems to have reached a peak, forcing through innovation that changed the network structure. Intermediaries, in the positions as agents, seem to have become the solution. A typology of the agent's functions is introduced.

Keywords: intermediaries, roles, functions, activities, network

INTRODUCTION

A business network consists of a number of producers, consumers and intermediaries. There can be a number of intermediaries situated between the various producers, and between the producers and the consumers. There can also be a large number of suppliers and customers connected to one intermediary (Gadde and Ford, 2008). Through interaction, the actors have formed a special structure where they have developed specific relationships between each other. They treat each other in a unique way, and they try to develop special positions and roles with special functions for each other through the interaction. The interaction and this development are directly related to the resources used as well as the activities the actors perform. In the interaction both the utilization of resources and the performance of the activities are key dimensions. The interaction deals with finding better ways to tie the resources and to link the activities (Håkansson et al., 2009).

In this article, I study a development where the activities, or functions, are put in the centre. The functions of an intermediary may to a large degree become "available from its relationships to others outside the company. The activities of a company draw on and are made possible by some knowledge possessed by others. It becomes available in relationships to customers, suppliers and others" (Håkansson and Snehota, 1995:12). Likewise, the customers' and suppliers' activities can be possible due to an intermediary, and impossible without one. Here, the focus is on the functions of the intermediary in the role of an agent related to the production and sales of a special fish product – bacalhau¹ – in the Norwegian-Portuguese bacalhau network. I will describe and analyse how the structure, in terms of the agent roles, is an effect of the interaction of the network. Both the whole structure, as well as some sub-structures, due to some specific agents' functions, will be analysed.

"There are two issues, in particular, that it appear critical to the goal performance in business: how to mobilize the various different counterparts of a company and, consequently, how to develop cooperative posture and coordination mechanisms in interaction with others in order to solve problems as they arise" (Håkansson and Snehota, 1995:6). Consequently, if a supplier and a customer need an intermediary, they will get one. Even if they have an exclusive one-to-one relationship, only dealing with each other. On the other hand, the number of different actors involved and their level of complexity increases the need for someone to coordinate them (Jensen, 2009). But what if it is only two actors involved? What if their business is not particularly complex? Why would they still choose to include a coordinating intermediary? What sense is it in that?

In a network, everything that happens between the actors is a process of interaction (Gadde and Ford, 2008; Håkansson et al., 2009). Among other things, the process is affected by technical inventions, and norms and rules put onto the network by institutional actors such as the state. This has also affected this case. Three hundred years ago, Portugal started to import bacalhau from Norway and this business has developed since then. The network has developed gradually until several major changes happened in the 1990s. In the new situation, which changed the power balance of the network, a quick evolution took place. A few larger actors in both Norway and Portugal became bigger, and developed the need of an agent intermediary with specific functions to connect them. Aiming at understanding how the agent connects the Norwegian and the Portuguese parts of the network, the article focuses on its role and functions.

¹ Originally in Portuguese bacalhau mean 'cod' (<http://no.wikipedia.org/wiki/Bacalhau>). Today, bacalhau is a reference to wet-salted dried cod.

In the article I will study how

- a) the interplay between the involved actors is creating a specific intermediary role when the basic conditions are changed.
- b) specific sub-structures emerge due to the different functions of the developed intermediary due to the different ways to develop its role.

The article starts out with a literature review, focusing on the intermediary, its positions and roles. Next, the Norwegian-Portuguese bacalhau network and its history are introduced. This will indicate a rather dramatic change during the last two decades. The development goes from a structure involving many and smaller actors towards a Norwegian and a Portuguese network of few and larger actors, connected by agents. Then the chosen methodology is presented, before the four empirical examples are given. The purpose of the cases is to describe four different sub-structures, which all uses an intermediary in an agent-role, and how the supplier, the customer and the agent perceives the agent's role and functions. The agent's role and the activities it contains are discussed in relation to a more general analysis of the intermediary literature. Finally, conclusions are made.

INTERMEDIARIES AND THEIR ROLES

This section will introduce a conceptualisation of the intermediary and its roles. A theoretical framework is provided, to discuss the intermediary and to explore its roles.

Defining the intermediary

A network has a main structure, which consists of a range of sub-structures. Each sub-structure contains a number of main actors, like regulating and controlling authorities, primary producers (e.g., farmers, fishermen), secondary producers (e.g., factories), retailers and consumers. In-between these main actors there may be a number of companies having specialised in distribution, like agents, wholesalers, traders and brokers. Some question the necessity of talking about these intermediaries, as "Taking an extreme interpretation any business can be seen as a middleman business, since most companies are in-between other companies" (Gadde and Snehota, 2001:7; Jensen, 2010). Here, however, I refer to the above mentioned companies as intermediaries (middlemen).

Furthermore, concerning interaction between a supplier, an intermediary and a customer, some believes "the triad is a more precise unit for the analysis of such arrangements than the dyad" (Geersbro and Vedel, 2008:3). Alternatively, as here, the interaction between the supplier and the customer will be considered an indirect dyad, when based on the direct dyads between the supplier and the intermediary and that of the customer and the intermediary (Haugnes, 2010; 2011).

In the literature, at first, the intermediary became visible "as an organizer of the market", describing when the producers stopped involving in direct sales to the consumers back in the Middle Ages (Shaw, 1912:725). Later on, Alderson (1954) described the change from consumers producing their own goods till producers started producing it for them. He re-introduced the intermediary due to its "specialized skill in a variety of activities" (Alderson, 1954:14). Today, the term is a reference to companies performing different distribution activities, positioned between a producer and the consumers (Marasco, 2008).

The degree to which intermediaries are used in a sub-structure varies, which "can further reinforce the usefulness of the intermediary to others. At a very basic level, the more actors make use of the intermediary, the easier it is for it to fulfil some of the roles" described in the next section (Jensen, 2010:212).

The intermediary does not necessarily own the goods it is distributing, but rather provides a service to main actors of the sub-structure (Gadde, 2000; Marasco, 2008). Consequently, the role of an intermediary is “defined as much by the resources and actors that it is related to through activities as those resources” and activities that other actors control (Henders, 1992:151). A “part of the definition of a middleman depends on the functions he performs” (Mallen, 1973:22). The intermediary’s “role is increasingly differentiated” (Gadde and Snehota, 2001:7), as the next section will show.

Positions of the intermediary

“[W]hereas roles describe what an intermediary does for a particular counterpart” (Jensen, 2009:i), “position is used to describe how the individual actors in the network are related to each other in a network structure” (Johanson and Mattsson, 1992:205) through connecting their resources and activities. Gadde and Snehota (2001) distinguish, for example, between the intermediary as a trader, the intermediary as a distributor and the intermediary as a provider, “depending on how they identify the best business opportunities which in turn is contingent on the network of actors they interact with” (ibid.:7).

Intermediary as trader

The intermediary, as a trader, gives the customers offers different from what they otherwise would have been offered by each of the suppliers (Gadde and Snehota, 2001). The trading intermediary operates in two networks, binding them together, through helping the customers accessing the resources they need and the suppliers to reach the customers. This intermediary coordinates logistics, in addition to, for example, integrating the customer’s and the supplier’s activities, and communicating in the value-creation process (Geersbro and Vedel, 2008). In pre-industrial society, the trading intermediary “bought and sold all types of products and carried out all the basic commercial functions. He was an exporter, wholesaler, importer, retailer, ship-owner, banker, and insurer” (Chandler, 1977:15).

Intermediary as distributor

This intermediary is a distributor for a supplier, helping it to “find customers or close sales with them” (Kotler, 1988:137). It normally serves more than one supplier, but can in extreme cases also “reflect... the perspective of one manufacturer” (Gadde and Snehota, 2001:5). Intermediaries can be valuable also for serving larger customers who are traditionally served directly by the manufacturer (Frazier, 1999). “The manufacturer is regarded as the principal and the dominant party, whereas the intermediary is the agent in the relationship” (Antia and Frazier, 2001). These intermediaries perform activities like “identify[ing] exchange opportunities, ... defin[ing] a product (a bundle of resource elements) that they also produce and they acquire the necessary resources” (Gadde and Snehota, 2001:4). The intermediary as a distributor came into being as a result of mass-production requiring mass-distribution.

Intermediary as provider

As a provider the intermediary serves customers, opposite to the distributor who serves suppliers. These intermediaries identify “exchange opportunities based on the [customers’] conception of suitable resource bundles and then searching for appropriate sources of these resources” (Gadde and Snehota, 2001:6). It was the “User initiated need for customisation and differentiation of supply [that] opened for [intermediaries] to act as providers” (Gadde and Snehota, 2001:7). The intermediary, in this position, is gradually becoming more visible, due to consolidation of intermediaries and growing retail power.

Jensen (2009) developed a preliminary framework for the strength of an intermediary's position. Firstly, "A distribution system with high complexity will tend to have more specialisation, and through this creates more opportunities for the intermediary" (Jensen, 2009:225).

Secondly, "The more different roles the intermediary can fulfil, and the more customers it fulfils these roles for, the stronger the position. ... the argument would also be that having a complex set of roles spread across several customers gives a stronger position in the distribution system than a simple set of roles for one customer giving the same amount of business" (Jensen, 2009:225).

Thirdly, "The extent and nature of coordination can mean two quite different things here. First, the extent to which the intermediary is involved in coordination, perhaps due to specialist skills in this area will tend to strengthen its position in a distribution system. ... Second, if the intermediaries are responsible for the activities of other actors and so in essence take on responsibility for organising a subset of the distribution system, this will strengthen their position further" (Jensen, 2009:225).

Roles of the intermediary

The role of an intermediary "is based on a set of activities that fulfill a certain need or provide a specific service to a customer" (Jensen, 2009:197; 2010), create value to both the customer and the supplier (Geersbro and Vedel, 2008), and give the intermediary certain powers due to holding the interfaces between the customer and supplier (Mudambi and Aggar-wal, 2003). "[I]ntermediaries are not only affected by the types of coordination used in the system, but ... they can also be a prerequisite for certain types of coordination" (Jensen, 2009:i). Intermediaries can be a prerequisite for the existence of a whole network.

The content of the actors' connections "has evolved from the early grand distributors performing everything to becoming more specialized actors focusing on core activities" (Hulthén and Olsson, 2011:2). Alderson (1957; 1965) defines, for example, the intermediary's role, dependent of one or more of 1) reduction of business ties, 2) scale advantages, 3) task and skill specialisation, and 4) risk sharing.

Reduction of business ties

If four suppliers have four customers, each their contact will be reduced from four till one by introducing an intermediary. The higher number of actors involved the higher effect. An intermediary could be an actor buying goods from a range of manufacturers, selling to a number of retailers (Alderson, 1965). Presuming it is possible to conduct the same kind of business through an intermediary, as without, it will reduce costs. A significant cost is associated with any business relationship. The reduction, however, depends on the intermediary conducting business on behalf of the supplier and / or the customer with the same force as they would themselves. There will always be a danger of the intermediary not having the same business taste, not understanding the needs, being less eager, or further its own interests.

Achieving scale advantages

An intermediary can achieve scale advantages. Firstly, serving a number of customers and / or suppliers, the volume would involve full or near full utilisation of investments and labour (Chandler, 1990). This could concern basic activities like goods handling, order processing, transport planning, and so on. "Intermediary traders are said to create ... utility because transactions can be carried out at lower cost through them than through direct exchange" (Alderson, 1954:14).

Secondly, the intermediary acting on behalf of a number of others can fundamentally change the sub-section's activities. For example, "individual buyers do not have to engage in negotiation processes with the manufacturer (although they do have to negotiate agreements with the intermediary). ... If the customer itself purchases much larger volumes of a service or good than the intermediary, then the effect [of the customer's dependency of the intermediary] clearly does not apply" (Jensen, 2009:52).

Task and skill specialisation

The intermediary has a specific role with regard to certain tasks or skills, based on its superior competence. It has to carry out a greater efficiency or a better quality performance based on its possession of certain resources. For example, valuable information soon acquires economic attributes, of which intermediaries become active specialists of handling (Etgar and Zusman, 1982; Popp, 2000).

"The opportunity for a firm to specialize in marketing activities obviously depends on the existence of other firms. The development of one type of intermediary changes the marketing structure and may prepare the way for still another type" (Alderson, 1954:18). "An actor's specialism makes it easier for non-specialists to survive, and the existence of non-specialists likewise makes it easier for specialists to survive, both in quality and quantity" (Haugnes, 2010:40).

"Two firms are complementary when the existence of each increases the likelihood of the survival and success of the other" (Alderson, 1954:18). It would, for example, "be impossible, or at least difficult to survive by differentiating with a higher quality product if nobody made an average or lower quality product" (Haugnes, 2010:40). "The survival and prosperity of every firm in the channel is dependent upon the success of the others" (Alderson, 1954:19).

The creation of a strong sub-structure in a network seems to be achieved through complementing and specialising.

Risk sharing

Alderson (1954) provides three general strategies for handling risk. Firstly, 'shifting risk' involves moving risk from one actor in the distribution system to another. In many cases, providing goods through different sub-structures can mean both reaching different customers, and serving present customers better (Payne and Frow, 2004). Such spread of the risk could also be a prevention of loss. Secondly, 'pooling or hedging' of risk are two basic risk handling mechanisms. A third strategy is 'elimination of risk' through control of the operating situation by taking over important operations and making these more reliable.

The use of an intermediary is a type of outsourcing of certain activities, which can be a direct consequence of the need to secure certain resources. "[A]lthough not core activities for the firm, [these activities] are, nevertheless, integral to serving their customers" (Jensen, 2009:57). The activities need to be performed, whether by the supplier, the customer or an intermediary. "You can eliminate the middleman but you cannot eliminate his functions" (Stern and El-Ansary, 1992:13).

The question is whether an intermediary is operationally more efficient, performing a role, than the supplier or customer carrying it out itself. "If the exchange between the supplier and the intermediary is optimal, it means that the supplier prefers this exchange to dealing directly with the" customer (Alderson and Martin, 1965:122; Gadde, 2000). The advantages of an intermediary will, for example, be reduced when adapting to customers with too many differing demands. Turned around; the fewer and more entire functions an intermediary are given, the easier to coordinate.

“Since resources are somewhat limited for small firms they often turn to intermediaries such as trade organizations to gain” protection against treats (Pourmand et al., 2009:3). These treats, making an impact on business performance, could be represented by political decisions (Pourmand et al., 2009). It could also be a geographical, cultural, physical or technical gap between actors in a relationship (Ford, 1980). Small firms’ limited resources leave them to gain knowledge through various counterparts, or intermediaries (Pourmand et al., 2009). Building on this reasoning; if the treat is powerful enough – i.e., that they can not get on the inside of it –, even the biggest of firms will need an intermediary to cope with it.

RESEARCH METHODS

The previous section defined the intermediary concept and presented its various positions and roles. In the following, the empirical case studies will describe the functions of the agent intermediary in four different sub-sections of the network. Firstly, however, the Norwegian-Portuguese bacalhau network and its history are introduced, and the chosen methodology is presented.

A description of the network and its history

The research reported in this article is based on the data collection of Haugnes (2010), which investigated consumers in the Norwegian-Portuguese bacalhau network. The findings of this research report are, however, an additional and rather different finding to that of Haugnes (2010). Despite the close connection between the two, and although the findings of Haugnes (2010) is published, a brief overview of that investigation is warranted here.

The Norwegian-Portuguese bacalhau network is of great importance to both Norway and Portugal. Bacalhau was probably invented by the Basques² in the Middle Ages (Kurlansky, 1999; confer with Svendsen, 2003:9). Salted and dried cod provided a preserved and nutritious food supply. In addition, the medieval Roman Catholic Church participated by imposing fast days on which the eating of meat was forbidden, while eating ‘cold’ foods was permitted. In this way the bacalhau culture established firm roots in Portugal.

Concerning Norway, its first large-scale production of bacalhau was established in the middle of the 1700s (Vollan, 1956:58). Norway soon became, and remains, the world’s largest producer and exporter of bacalhau. The wild north-Atlantic cod (*Gadus Morhua*) is by far the most dominant fish species used in Portugal, and is therefore the species in focus here. Annually, Portugal imports 70,000 tonnes of bacalhau (Mikkelsen jr, 2006:32). Norway supplies about half of this (ibid.). In 2007, Norway exported seafood worth 2.2 billion NOK (230 million EUR) to Portugal (www.seafood.no; www.noruega.org.pt). This makes Portugal Norway’s sixth largest export market for seafood in general, and the largest for bacalhau (www.noruega.org.pt).

Over the years there have been both minor and more major changes in the business actors’ activities, especially during the last decade or two. For instance, around 1990 the iron containers in which the bacalhau was transported from Norway to Portugal, were replaced with refrigerated containers. The new refrigerated containers took better care of the bacalhau and reduced losses, as keeping the bacalhau cool slows down the process of deterioration that starts the minute the cod dies. This introduction caused a final change in the division of power between the Portuguese buyers and the Norwegian sellers. “Earlier, the Norwegians had a lot of money locked up in large storages, and had to sell. This changed. The

² The Basques’ land includes provinces of both Spain and France, north and south of the Pyrenees (Wikstrøm, 2001).

Norwegians do not any longer have to wait for a passing vessel. Now they can just send a car” as a Sales Manager at a Portuguese secondary producer describes it.

Another major change came with the opening of Portugal’s first hypermarket in 1985 (www.sonae.pt). Today, the retail chains have approximately 80 per cent market share for bacalhau products (TNS, 2005). A similar development has taken place among the secondary producers. Since both the export monopoly of Norway and the import monopoly of Portugal ended in 1990, volume producers have moved into a dominant position. Compared to volume producers, spot producers are unable to make long-term purchase and supply plans. Their limited economy, processing facilities and access to raw material makes them unable to supply a steady volume at a set price. In addition, from 1945 until 2008, the number of fishermen has decreased from 112,404 until 12,730 and the number of fishing vessels from 30,498 until 6,785 in Norway (www.ssb.no, 2011a). The caught volumes have been rather stable the last 50 years (www.ssb.no, 2011b). Looking at Figure 1, there has been a dramatic movement from many small primary producers, secondary spot producers, wholesalers of various sizes, and independent supermarkets to fewer and larger primary producers, secondary volume producers, intermediaries, and retail chains. This rather recent restructuring breaks with an apparent long and slow history of the network.

The Portuguese consumers’ demand for bacalhau is also declining. While bacalhau had, for example, 93 per cent of the consumer market in 2001, it had only 75 per cent in 2006 (Jensen, 2008:6). Furthermore, while 47 per cent of consumers indicated that bacalhau was their favorite fish meal in 2001, the figure fell to 22 per cent in 2006 (Jensen, 2008:5). Still, on average each Portuguese eats approximately 13 kilogram of bacalhau annually; calculated from 70,000 tonnes divided by a population of 10.7 million (CIA, 2009), bearing in mind that the bacalhau’s weight is about doubled during desalting. This is the equivalent of one person eating bacalhau for dinner for a whole month!

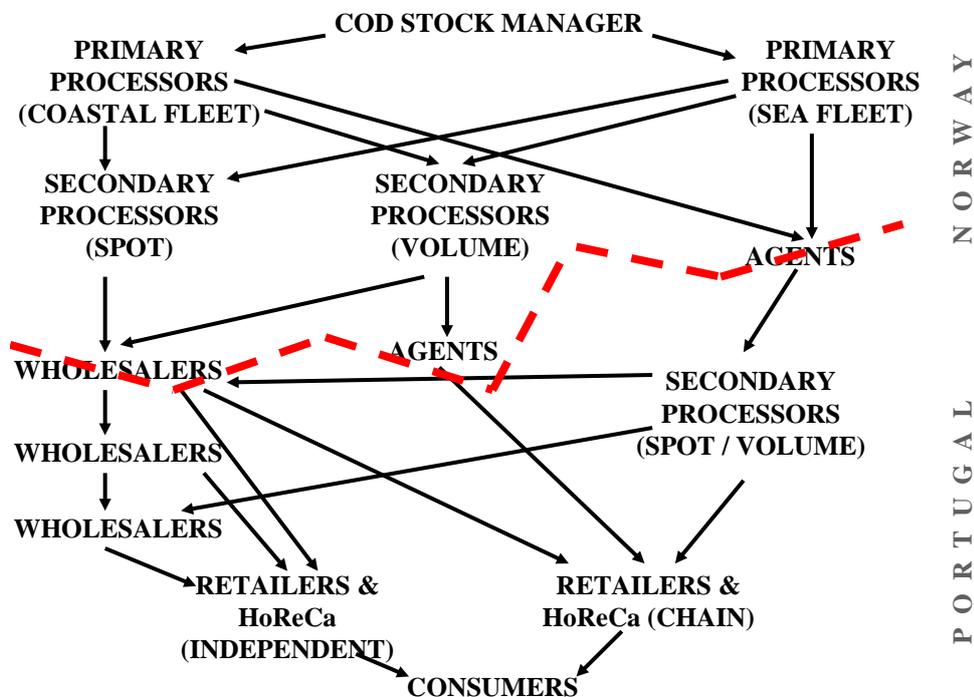


Figure 1: Norwegian-Portuguese bacalhau network.

The core actors of the Norwegian-Portuguese bacalhau network are Portuguese consumers, Portuguese retailers, Portuguese and Norwegian secondary producers (the land based

processing plants), Norwegian primary producers (the fishing vessels), and the cod stock manager represented by the sea territories' regulating and controlling authorities. In addition, to the main actors, the network involves a number of intermediaries, like wholesalers, importers, exporters, traders, agents and organisations. This article takes a closer look at the agents. There are two types of agents. An import-agent is a Norwegian actor in Norway, providing a Portuguese importer with supply. It could be a Norwegian one-man agency, exporter or trader. Alternatively, the import-agent could be a Norwegian secondary producer of which the tasks of an agent are just some among many of the other it performs. Opposite, the export-agent could likewise, for example, be a Portuguese one-man agency, importer or wholesaler. The export-agent is marked by being a Portuguese actor in Portugal, distributing for a Norwegian actor.

The network consists of many sub-structures, which types and numbers of intermediaries vary. Each sub-structure, however, contains only one agent. Where the Norwegian bacalhau network and the Portuguese bacalhau network are connected, by the agents, is illustrated in Figure 1 by the broken line. Whether a sub-structure contains an export-agent or an import-agent, depends on whether it is the Norwegian supplier or the Portuguese customer who has the initiative. If it is the Norwegian supplier, they have an export-agent. If it is the Portuguese customer, they have an import-agent. This article takes a closer look at the export-agent, hereby referred to as 'agent'.

Sample selection

Forty-five different business actors at different geographical locations in Norway and Portugal were in-depth interviewed. The Norwegian-Portuguese bacalhau network is a rather closed community to outsiders. Identifying the actors and arranging the interviews were, accordingly, problematic. These problems were solved by using gate-keepers (Miles and Huberman, 1984) and a snowball technique (Gobo, 2004) to access the sample. Firstly, a key issue was finding gate-keepers (Ryen, 2002). The agent of one of the three biggest Norwegian secondary producers became the principal gate-keeper. Choosing him was really to "Go to the meatiest, most study-relevant source" (Miles and Huberman, 1984:42). His business circle contains an extensive number of business actors within the Portuguese part of the network. Based on discussion, he made appointments for interviews, which he filled into a timetable. In addition, a couple of Norwegian secondary producers were used as gate-keepers in Portugal to provide the desired access to three or four additional business actors. In Norway, some interviews were appointed by gate-keepers, other times the companies were contacted directly.

Secondly, a snowball sampling method was used. It entails "picking some subjects who feature the necessary characteristics and, through their recommendations, finding other subjects with the same characteristics" (Gobo, 2004:449). "[T]he variance of the phenomenon under ... study" in Haugnes (2010) was expected to be high, meaning that more informants were required "in order to include in [the] sample each [possible] category or class of [the] phenomenon" (Gobo, 2004:444). A major proportion of the limited number of business actors the Norwegian-Portuguese bacalhau network consists of were, consequently, interviewed. Only 0.1 per cent of the Norwegian fishing vessels were included in the sample. Not all of the approximately 7,000 (www.ssb.no, 2010) primary producers supply Portugal, however, and in any case their activities are standardized to a great extent with little deviation. The Norwegian secondary producers who were interviewed are responsible for more than 90 per cent of the bacalhau exported to Portugal, and together with the interviewed Portuguese secondary producers account for approximately 80 per cent of the total market share. Finally, Portuguese retailers covering at least 60-70 per cent of the bacalhau market share were interviewed. Both large and small business actors were included in the sample.

The final sample can be broken down into four groups of actors; seven primary producers, 17 secondary volume-producers and spot-producers, and six retail chains and independent supermarkets. The fourth group consists of 14 intermediaries, including organizations, working closely with the different groups of business actors such as, for example, the fishermen’s sales organization SUROFI, the Norwegian Seafood Federation (FHL) and the Norwegian Seafood Export Council (EFF). The fourth group was included to gain the clearest possible picture of the business actors’ activities, by developing “an understanding that encompasses all instances of the process or case under investigation” (Denzin and Lincoln, 2005:378). Table 1 lists those interviewed.

Table 1: Overview of the performed in-depth interviews.

Actor	Country	Number of Interviewees
Primary Producers	Norway	Seven
Secondary Producers	Norway	Nine
Secondary Producers	Portugal	Eight
Retailers	Portugal	Six
Broker	Norway	One
Agents	Portugal	Two
Exporter	Norway	One
Importers and Wholesalers	Portugal	Six
Organizations	Norway	Five

Due to the use of gate-keepers and a snowball sampling, the in-depth interviews were conducted in different rounds. As a ‘first round’ a pilot study was performed in Ålesund, Norway. The town of Ålesund is the Norwegian centre for bacalhau production. The interview with one Norwegian secondary volume-producer was included from this, in order to get as complete a picture as possible. The ‘second round’ of data collection was carried out in Portugal. The ‘third round’ of interviews took place in Ålesund. Three months later, more secondary producers were interviewed in a ‘fourth round’ in Ålesund. These it was impossible to interview in the ‘third round’, due to the informants’ fully booked schedules, or in some cases the lack of gate-keeper. The ‘fifth round’ of interviews was back in Portugal. Access was obtained to these interviewees as during the previous rounds of interviews a suitable gate-keeper to provide an introduction was found.

Data collection

The study reported here takes a qualitative approach and provides a descriptive explanation in order to comprehend, understand and illuminate a particular phenomenon (Easton, 1995). The qualitative strategy has a unique ability to generate new theory (Dubois and Gadde, 2002), as it facilitates the study of issues in depth and detail (Patton, 2002).

A case study design (Yin, 1989) is chosen as “it is highly flexible” (Easton, 2010:124). Case studies are well suited for exploratory studies where the researcher has little control over the actual events occurring during the research process (Yin, 2003:1), as was the situation of this study. A case study does provide for rich and complex descriptions including nuances. Two powerful aspects of case-based research within industrial networks are “(i) time and the temporal frames within which we conduct network studies and (ii) the delineation of boundaries in network studies” (Dubois and Araujo, 2004:207).

Concerning the time aspect, the study has a cross-sectional design. “[T]he term *cross-section* indicates a wide sample of people of different ages, education levels, religions, and so on” (Ruspini, 2008:440).

Concerning the boundary aspect, “[t]he starting point could be one or more specific firms, a specific geographical area, a specific technology, a specific function in a value added chain a specific project, a specific product or service from the user’s point of view or a combination of such criteria” (Mattsson, 2000:155). “What constitutes the phenomenon of interest and its boundaries is often the outcome of the study rather than a decision that can be firmed up prior to conducting the study” (Dubois and Araujo, 2004:225). Drawing the boundaries of a case of the extensive size of the Norwegian-Portuguese bacalhau network, making only certain features relevant, is possible (e.g. Awaleh, 2008). Firstly, what is central in case studies is the homogeneity and ability to detect some kind of constant conjunction and seeking a credible casual mechanism (Easton, 2010:127). A casing operation should make only “certain features relevant” (Ragin, 1992:220). Secondly, the researcher must know (and be able to communicate) what the case is an example of (Eisenhardt, 1989; Easton, 2010).

The 45 business actors were interviewed in Norwegian, English, and in Portuguese with an English speaking interpreter. The two shortest interviews lasted for half an hour, while the longest lasted seven hours. On average, the interviews lasted for two hours and twenty minutes. They were all performed during a time period of five months, between October 2005 and March 2006, with the exception of the one of the pilot study, and one telephone interview. Managers and business owners were interviewed. The idea was that these people would be able to give a better overview than their employees of the different activities, and in addition would be more knowledgeable. The interviews were not tape-recorded, as that can prevent the interviewees from relaxing and speaking as freely as they otherwise would.

A semi-structured (Kvale, 1996) interview guide was used. It contained a list of common questions to start the interview, which included questions about the interviewee, his position and the company’s size and main tasks. The actors were interviewed about their interaction, and their activities related to the transformation of the (product to become) bacalhau. “Putting interaction at the centre makes it impossible to make sense of what happens between business companies by looking at just one of them” (Ford and Håkansson, 2006:14). In the light of this article’s research problem, this quote indicates that collecting data from only the suppliers and / or the customers is not enough to make sense of the intermediary and its function(s) (Gadde and Snehota, 2001). Consequently, the agent, the supplier, and the customer were all interviewed about the agent’s role.

The interview guide was not the only help in structuring the interview. All but one of the interviews was carried out face to face – a method that allows a richer communication. The scheme in Figure 2 was used to help both the interviewer and the interviewee gain an overview of the interviewee’s part and perspective of the network. This Network Map functioned as an ‘autodriver’, which means the “respondent is asked to comment on a picture, video, or some other stimulus, and to provide his or her own account of what they see there” (McCracken, 1988:36). To a certain extent it allowed the interviewees “to interview themselves, to provide a perspective of action ..., and to raise issues that are significant to them” (Heisley and Levy, 1991:260). The circle in the middle represents the interviewee’s company. The three circles to the left represents their suppliers and those to the right their customers. The central circle above the focal company represents organizations, competitors, legislation, and so on that also affects the activities of the interviewee’s company. The number of circles is only meant as a starting point. Whilst filling names, numbers and

percentages into the scheme, the interviewee talks about activities and other themes covered by the interview guide.

NETWORK MAP

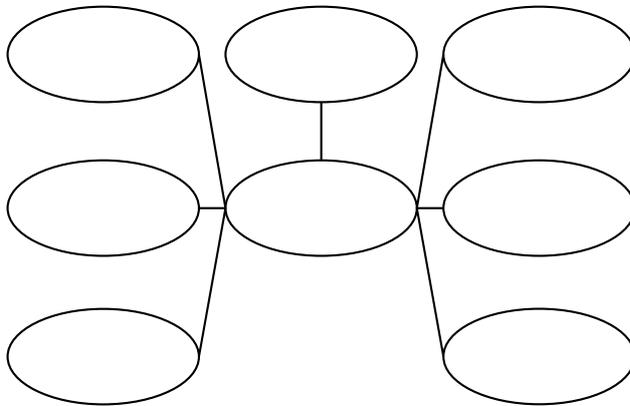


Figure 2: Scheme used to visualize the interviewee's network.

Members of a project group performed the interviews (Haugnes, 2010; 2011), which makes this study facilitate from triangulation of investigators (Lincoln and Guba, 1985). When more than one interviewer was present during the interview both made notes, and any unclear elements were discussed – triangulation of investigators (e.g. Lincoln and Guba, 1985). The notes from the interviews were typed up immediately afterwards. Unclear elements were discussed between the interviewers, or with the interpreter. The interviewees were contacted again in the case of any ambiguities, which facilitated member checking (Lincoln and Guba, 1985). Finally, reports were made. The data was analyzed both during and after the rounds of data collection. This gave the advantage of having an opportunity to follow up on insights before the data collection was completed, in addition to drawing insights from the entire body of data (Easton, 2010; Mick and Fournier, 1998).

Observation and document analysis complemented and corrected the interviewed business actors' description of the network. The use of different data collection measures facilitated triangulation of methods (Lincoln and Guba, 1985). Firstly, observation of business actors' activities was used "to gather firsthand information about social processes in a 'naturally occurring' context" (Silverman, 2006:21). Therefore it was accepted whenever interviewees invited on guided tours on their facility.

Secondly, in order to verify and expand the information obtained from primary sources, it was made use of existing documentation. Interviewees among the main categories of business actors, and organizations working closely with these actors, gave access to their documents. The analysis of documents was completed through extensive use of the internet to find out about relevant laws, legislation and international agreements.

A summary was written up of the primary and secondary raw data. It is from this rich and thick description of the Norwegian-Portuguese bacalhau network, that the findings of this report materialized themselves. The summary was manually gone through repeatedly, searching for the actors' perception of the agent's role and functions.

FOUR EMPIRICAL EXAMPLES OF INTERMEDIARY AGENTS

I have introduced a theoretical framework, defining the intermediary concept and presented its various roles. I have also given a short introduction to the Norwegian-Portuguese bacalhau network and its history, and described the chosen methodology. The presence of a rather dramatic change during the last two decades was indicated. The development goes from a structure involving many and smaller actors towards a network structure with few and large actors, where the actors connecting the Norwegian and the Portuguese parts of the network use an agent. In this section, four examples of sub-structures are given. Each describes the intermediary agent, as perceived by the supplier, the customer and the agent itself. The purpose of the examples is to illustrate the variation in the interactions, and how the intermediary agent's functions and role varies when connecting two or few large and set suppliers and customers.

Case 1: Agent-One

The first sub-structure to exemplify consists of Agent-One, who is SecPro-One's agent in Portugal. Agent-One consists of Mr. One and his four assistants. SecPro-One is a Norwegian secondary volume-producer, who purchases its raw-material from a number of vessels in the Norwegian coastal fleet. SecPro-One's only Portuguese customer is the retail chain Retail-One. The actors of this sub-structure is illustrated by Figure 3, starting with the cod stock manager, the primary producers, the secondary producer SecPro-One, its agent Agent-One, the retail chain Retail-One, and finally the consumers. This first example is marked by SecPro-One having Agent-One between itself and its only customer, Retail-One.

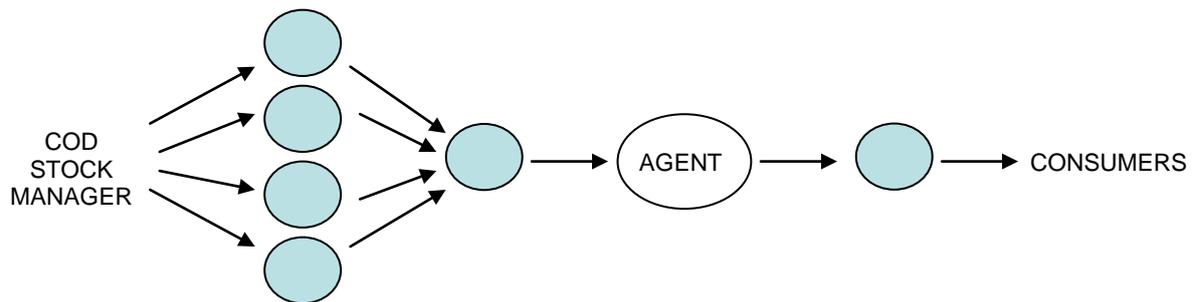


Figure 3: Agent-One's position in the sub-structure.

Agent

Until 1990, One was a Portuguese governmental company with monopoly on import of fish from Norway. Portuguese Mr. One was President. Later he came to work as this company's local representative in Portugal. When the monopoly ended, Mr. One still had his network of contacts, which he used to start Agent-One. When the monopoly fell, there was a boom of Norwegians establishing export companies. As a consequence, at first, he was agent for 19 Norwegian businesses. There was, however, not market for all these. When they were reduced to three or four larger suppliers, Mr. One and other agents divided them between themselves.

Mr. One explains how he, as an agent, represents the company he is agent for. He has all the contact with the customer, and all requests and deliveries go via him. Agent-One pays attention to the market, the prices and the development in Portugal. Today, Agent-One's only supplier is SecPro-One, and Mr. One experiences the business to go very smooth. He has four employees, but considers cutting the number by two or three. There has become less to do in the business. Earlier, Mr. One also worked a lot himself. Now he can work 18 hours one day, and maybe only one the next.

Mr. One considers SecPro-One to have a fantastic organization. In 2005, Agent-One sold between 6,000 and 7,500 tonnes of bacalhau from SecPro-One. It is a big market for its bacalhau. If it produced more, it would have sold more. Maybe SecPro-One soon reaches 25 per cent market share, which accounts for 15,000 tonnes, Mr. One speculates. He believes SecPro-One is the only Norwegian producer which can plan for a whole year. He adds that SecPro-One would not have problems with finding a new customer.

Mr. One believes the strategy of the large retail chains is to have one large supplier.

Supplier

SecPro-One was founded in 1931. Over the following years new companies came into being. SecPro-One is now a unit in the SecPro-One Group, producing salted and dried fish, estimating its annual bacalhau production to be 10-12,000 tonnes (Tande jr., 2005:54). The main office is situated in the centre of Ålesund, Norway.

Without mentioning their agent Mr. One, SecPro-One's Marketing Director explains how they started supplying Retail-One directly in the late 90's. Today, SecPro-One supplies approximately ten trucks a week. If there is a problem, one of SecPro-One's owners travels to Portugal to sort it out. The agent they use to handle things that come up in their daily activities. Without an agent, they would have had to go to Portugal much more frequent. The agent functions as SecPro-One's extended arm, for which it is paid one per cent. Despite having an agent in Portugal, SecPro-One and Retail-One speak on the phone every day. The information about the market situation SecPro-One gets through this contact is supplemented by its agent's knowledge of the market.

The year of SecPro-One can be divided by three. From January till March all the fish they are to process into bacalhau is fished and purchased. A flexible contract is written for these months, between SecPro-One and Retail-One, depending on when the fish comes in. The contract for April till August is based on a set volume and price. Thirdly, the contract for September till December is flexible concerning volume and price, in case of unforeseen and special circumstances. In March every year, the CEO and the Bacalhau Purchasing Manager of Retail-One have a several days long meeting, with the management of SecPro-One, to write a contract for the next 12 months. The contract sets volumes, prices, percentages of the various bacalhau sizes, among other things. Mr. One, does also participate in these contract meeting.

SecPro-One's bacalhau is sold as Retail-One's private brand. SecPro-One's Marketing Director does not see this or anything else as threats to their position, as he believes nobody is able to take over their supply to Retail-One.

Customer

Retail-One is a retail chain of the Retail-One Group. It operates supermarkets in central locations all over Portugal. According to the Marketing Director, Retail-One is the largest retailer of bacalhau in Portugal, selling about 15,000 tonnes annually.

The Marketing Director does not mention Agent-One when talking about Retail-One's supply. Instead, he explains about SecPro-One being its only Norwegian bacalhau supplier. He emphasises how Retail-One and SecPro-One have had an exclusive relationship since the turn of the millennium. The only exception is when Retail-One does not manage to sell the ordered bacalhau, finds the quality not as agreed upon, changes its mind about the purchase, or for any other reason likes to cancel the order. Then, rather than paying for the transport of the bacalhau back to Norway, SecPro-One is allowed to sell it to someone else.

Retail-One and SecPro-One are just beginning to develop a closer relationship (in 2005). The Marketing Director expects them to extend their cooperation in 2006 by doing product development together on developing higher convenience products.

SecPro-One's bacalhau constitutes approximately 47 per cent of the bacalhau at Retail-One. The remaining 53 per cent is supplied by many and smaller Portuguese producers. The latter, Retail-One turns against each other to press their prices down. The Marketing Director explains how the bacalhau business is a price business. This does not have a direct effect on its relationship with SecPro-One, who requests a higher price than the other suppliers. Price is the most important issue for all retailers in Portugal, according to him. The bacalhau business has, however, also everything to do with proximity and quality of what is on offer, and the question is how to differentiate from what others sell.

In this sub-structure, the three main actors have daily contact with each other. The example is a good illustration of one supplier, one customer, one agent, set contracts, and a large and steady volume and quality product.

Case 2: Agent-Two

The second sub-structure to exemplify consists of Agent-Two, who is SecPro-Two's agent in Portugal. Agent-Two consists basically of Mr. Two. SecPro-Two is a Norwegian secondary volume-producer, in addition to acting as trader on a regular basis for specific companies. Its raw-material is supplied by the sea fleet and the Norwegian coastal fleet. SecPro-Two exports to three retail chains, and ten per cent to a wholesaler. Figure 4 illustrates, from the right to the left, the cod stock manager, various primary and secondary producers, SecPro-Two, their agent Agent-Two, the wholesaler, retail chains, and finally the consumers. This second example is marked by SecPro-Two having Agent-Two between itself and its four regular customers.

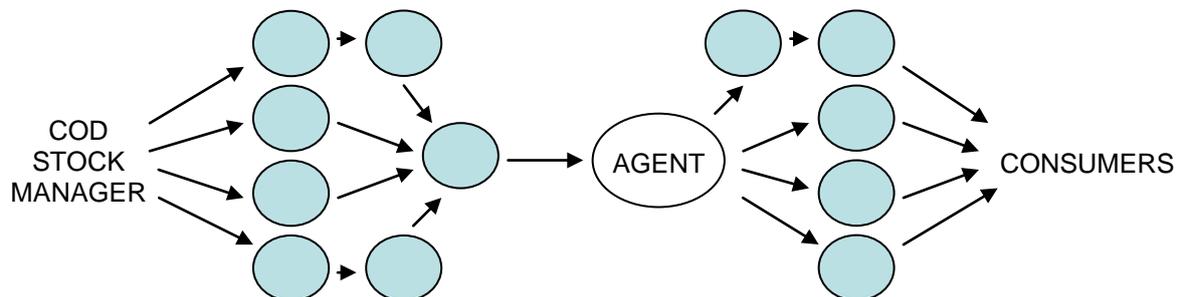


Figure 4: Agent-Two' position in the sub-structure.

Supplier

SecPro-Two is one of the three largest secondary producers in Norway, exporting to Portugal. The company was founded in 1965. Earlier SecPro-Two sold to small family businesses importing bacalhau. As late as the end of the 1980s, the retail chains had only a minor share of the market. Today, SecPro-Two sells 90-95 per cent to big multinational companies. In its contact with these customers SecPro-Two uses Agent-Two, run by the Portuguese Mr. Two.

SecPro-Two views its agent Mr. Two as a kind of very well paid employee, rather than as an external intermediary. Agent-Two is SecPro-Two's extended arm in Portugal. Mr. Two's presence in the market, ability to see the customers face-to-face, eat lunches and so on is considered invaluable by SecPro-Two. When ever there is a disagreement with a deliverance Mr. Two can check the quality or sort out what ever matter the disagreement concerns. Furthermore, Mr. Two both gives and gets information, which makes him very important at establishing contacts. The Manager of SecPro-Two goes to Portugal on a regular basis to visit customers and show his face, together with Mr. Two. When negotiating

the contract with the retail chain Retail-TwoA, for instance – done every three months – Mr. Two works as an interpreter of both language and culture. He is present at the negotiation, but he is not the one in charge of it, the Manager of SecPro-Two emphasises.

When SecPro-Two talks about its distribution, it does not talk about Mr. Two or Agent-Two. It rather talks about, for example, the given conflict between it and a specific customer. SecPro-Two and its customers sit on opposite sides of the negotiating table and both parties have small margins. At the same time, they are interdependent. Their contact is very strong and good. To do business and negotiate about a nature given product requires humbleness, independent of what powerful position you might be in, the Manager says.

Furthermore, the Manager talks about the retail chains' knowledge of the consumers' needs and preferences. He mentions the Purchase Manager at Retail-TwoA as an example. She shares this knowledge with SecPro-Two and the other suppliers, which makes SecPro-Two able to adapt and make the required changes to the bacalhau. All information it receives about drying, washing and salting influence its processing activities. Alternatively, the other suppliers would take market shares from it. For example, an Icelandic competitor once had a dry, high quality bacalhau to a high price. A Purchasing Manager at one of SecPro-Two's retail chain customers encouraged SecPro-Two to come up with a similar product to that of the Icelandic supplier, but to a lower price. This way SecPro-Two was able to take a higher market share. When giving this example the Manager does, again, not mention the agent's role in the incidence.

Agent

Mr. Two worked for four and a half years in SecPro-Two before he returned to Portugal and became its agent in 1999. Before then, SecPro-Two supplied smaller father-and-son companies. Today, the situation has completely changed in Portugal, as three or four retail chains now more or less cover the market. Consequently, it was difficult for Mr. Two to start his agent business, Agent-Two. The first year he had a turnover of 40-60 million NOK (five to eight million EUR). The traditional importers were a barrier to him. He worked directly with the retail chains, which represented a threat to the traditionally organised network with its many intermediaries. The importers worked against him and avoided him. At the retail chains, however, Mr. Two met young and educated people as himself. They preferred to work with him rather than the traditional importers. In 2005, Agent-Two's turnover had increased to 240-260 million NOK (32-36 million EUR) annually, which accounts for a total of 6,000 tonnes of bacalhau.

As an agent, Mr. Two considers Agent-Two to have four main tasks. Firstly, Agent-Two performs negotiations and contracting on behalf of SecPro-Two. Contracts with the retail chains are often done on a three-month basis in times where the price is relatively stable. If the prices shift faster, contracts are made for shorter periods to enable adjustments. The retail chains have a lot of power through their size, which they try to use to lower the prices. SecPro-Two's strength, however, is, according to Mr. Two, that no one else is able to deliver large enough volumes over time. This makes it possible for him to refuse to deliver to prices lower than what he sees as acceptable, knowing that while the retailers can find other suppliers, these will not be able to deliver the right volumes over time.

A second main task of Agent-Two is fitting the customers' orders with SecPro-Two's production schedule. Thirdly, Agent-Two follows up on deliveries and complaints. Fourthly, Agent-Two aims in general at building relationships with SecPro-Two's suppliers and customers. For example, Mr. Two gives feedback regularly to SecPro-Two on the development in the customers' demand. Furthermore, he makes sure SecPro-Two avoids overlap by, for example, not supplying the customers of its customers. The goal is to cover the market while avoiding overlap and price wars.

In addition to SecPro-Two, one or two per cent of Agent-Two's turnover comes from occasional agency for two Norwegian secondary spot-producers. Agent-Two runs a tight ship in terms of costs. The margins, especially when delivering to retail chains, are slim. The costs have to be kept down to make money. Consequently, Agent-Two only sells full trucks of bacalhau, which again requires the customers to be of a certain size. Financing is an important issue in the business. In average, Agent-Two's customers are given 45 days of credit, and this creates a need to secure payments. While the large actors have no problems with payment, smaller actors need to have a revolving bank guarantee to be allowed to buy.

Mr. Two visits SecPro-Two from time to time. He believes and hopes that their close contact makes it less likely for SecPro-Two to cheat on Agent-Two. In Portugal, Norwegian suppliers are perceived to have to be kept an eye on, Mr. Two explains. Through the years there have been several cases of Norwegian suppliers cheating Portuguese customers, he continues. For instance, pallets with good quality bacalhau have been switched for pallets of lower quality bacalhau, after the Portuguese customer's inspection at the point of purchase. Furthermore, as bacalhau is sold by weight, there have also been incidences where the Norwegian suppliers pack salt in the middle of the pallets to increase the weight. Mr. Two himself had a specific experience with a Norwegian spot-producer he used to be an agent for. This relationship was phased out due to a lot of cheating, and the company went bankrupt following this.

Customer

SecPro-Two's customers are Wholesaler-Two, in addition to the three retail chains Retail-TwoA, Retail-TwoB and Retail-One Group. The three latter has their own logistic operations, compared to smaller retail chains using wholesalers to handle their logistics. Mr. Two estimates that 70 per cent of the volume of bacalhau in the retail sector in Portugal is handled by these, "the big three". The Retail-One Group sells approximately 12-13,000 tonnes of bacalhau yearly, Retail-TwoA approximately 10,000 tonnes yearly, and Retail-TwoB approximately 6-7,000 tonnes.

Retail-TwoA is SecPro-Two's biggest customer, receiving 40 per cent of its supply. Retail-TwoA's Bacalhau Purchasing Manager considers all other supermarkets as its competitors and bacalhau to be a commodity. Retail-TwoA has stores all over the country, and the Bacalhau Purchasing Manager describes the pricing-situation with the words: "Every day is a war!". When talking about its supplier, she mentions that their bacalhau is imported via a local agent in Portugal, named Agent-Two. She emphasises that the bacalhau comes from SecPro-Two, of which Agent-Two is agent in Portugal.

SecPro-Two sells 20 per cent of its bacalhau to Retail-TwoB. According to a Manager at Retail-TwoB, its buying strategy is simple. Retail-TwoB buys everything that is offered to its price. That Manager explains how it never close the door for a supplier, as it has capital, storing facilities (total capacity of 900*30 cartons), and selling capacity. The largest deal it ever made was actually with SecPro-Two, in November 2004, when 25 trucks were bought in one deal. One truck contains approximately 900 cartons á 25 kilograms. Retail-TwoB does not mention Agent-Two when talking about its supplier SecPro-Two. Neither do Wholesaler-Two or Retail-One Group.

In this sub-structure, the main actors have daily or frequent contact with each other. The example is an illustration of one supplier, four set customers, one agent and a large and steady volume.

Case 3: Agent-Three

The third sub-structure to exemplify consists of Agent-Three, who is a wholesaler, receiving 90 per cent of the bacalhau SecPro-Three supply to Portugal. The remaining ten per cent it sells a Portuguese secondary producer for further processing. SecPro-Three is a Norwegian secondary volume-producer, purchasing its raw-material from both sea fleets and the Norwegian coastal fleet. They have four to five bigger customers. The actors of this sub-structure can be illustrated as shown by Figure 5. This third example is marked by SecPro-Three having Agent-Three between itself and its four to five regular customers to which it supplies 90 per cent of its total.

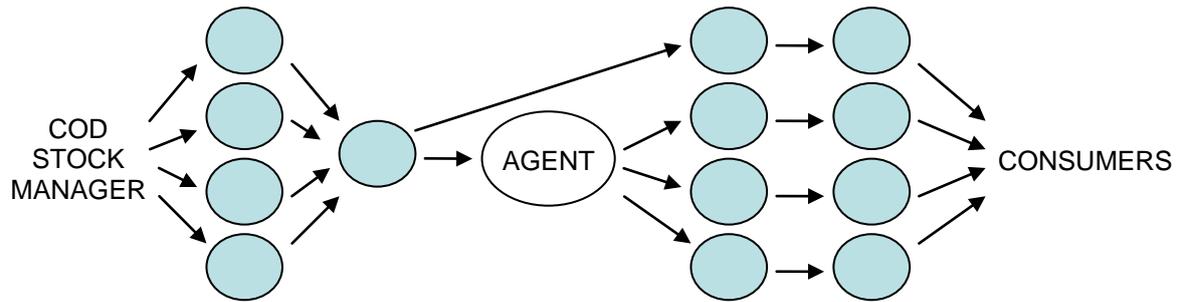


Figure 5: Agent-Three's position in the sub-structure.

Agent

Agent-Three Group is two companies. Agent-Three is a wholesaler employing 150 people and Agent-ThreeB is a production plant employing 30-40 people. They were founded around 1985, and are managed and administered from the same offices. The companies are family owned and have an annual turnover of approximately €100 million. About 30 per cent of their product line is bacalhau.

The General Manager Mr. Three considers the direct import and the direct distribution their strength. SecPro-Three supplies ready processed bacalhau, which the wholesaling part of Agent-Three Group does nothing with except distributing it to four given customers. In total, Agent-Three distributes 14,000 tonnes of bacalhau annually, from various suppliers, and has more than 7,000 clients. Agent-Three is Portugal's no.1 importer of Norwegian bacalhau, with its own storage facilities. If Agent-Three needs bacalhau fast, it gets it from SecPro-Three's plant in Norway. It has worked as SecPro-Three's agent for 16 years (in 2005). About SecPro-Three, Mr. Three says that "We have a good knowledge about them. It is a long marriage!". They know each other well and trust each other. For instance, payments always arrive as agreed, as the relationship builds on quality and willingness to pay.

About its position as intermediary, Mr. Three states that "[Norway] is little people in the field". He continues explaining how Norwegians are not clever enough to trust one or a few. Rather they trust all. They used to be "king of all", but now most are gone due to bankruptcy. In Mr. Three's opinion, the Norwegian producers sit and drink coffee and still think they are kings. He considers the Norwegian bacalhau industry not to be entrepreneurial enough, but rather to act as they have always done. Due to this, Mr. Three believes only SecPro-One and SecPro-Three will be left in a few years.

Supplier

SecPro-Three was founded in 1976, and started producing bacalhau in 1982. Today, SecPro-Three has a freezing storage facility, a deep-water quay, facilities for bacalhau production, fish farming facilities, and a boat for feeding and catching the farmed fish. It supplies 12,000

tonnes of bacalhau every year (2002) to various markets. The administration consists of 11 people, including the owner and his children. In addition, 130-140 employees work in the processing. SecPro-Three considers itself to be characterized by informality, quick decisions, creativity, and being careful with money, according to its Quality Controller.

SecPro-Three is the largest Norwegian bacalhau exporter to Portugal, with an annual turnover of 700-850 million NOK (93-113 million EUR). It purchases a large amount during the fishing season from January till March, but keeps purchasing a frozen raw-material through the year. It has a freezer capacity of 22,500 tonnes. The Quality Controller claims that SecPro-Three purchases 40,000 tonnes of codfish, 15 per cent of the Norwegian and Russian cod quotas, annually. At the plant the production activities are stable from one day to another. SecPro-Three focuses on volume and has an industrial perspective on the production. It wants as much fish as possible to pass through the facilities, to keep production cost down and offer lower prices.

SecPro-Three has exported bacalhau to Portugal the last 15-20 years (in 2003). Today, the daughter of the owner is responsible of the Portuguese supply. She does not speak Portuguese, and she or others in SecPro-Three seldom goes to Portugal (both according to SecPro-One). Its Portuguese customers, on the other hand, come to see SecPro-Three two to three times a year. SecPro-Three does very few marketing activities in Portugal. Its distribution is based on tight and direct relations to few but large importers in Portugal.

When talking about their Portuguese customers, SecPro-Three refers to four, rather than mentioning its agent Agent-Three. At earlier times SecPro-Three sold to a larger number of customers. Now, they work to keep the number of four to five customers in order to avoid the retail chains taking too much control. The more dependency on few(er) and large(r) customers, the more the price is pressed. Predictability for customers as well as for SecPro-Three is, however, important and becomes easier with fewer players in the market. SecPro-Three experiences its large customers to want only one supplier in Norway, and more concrete and detailed contracts. Delivery 'guarantees' are of major importance for retail chains that more and more take over the wholesaler function in many markets.

Customer

Retail-Three and SecPro-ThreeB are two of SecPro-Three's customers. SecPro-ThreeB is a secondary producer, which SecPro-Three supplies ten per cent of its total, without using the services of Agent-Three. Retail-Three is the world's second largest retail chain and the largest in Europe (www.carrefour.com). It is, however, not among the largest retail chains in Portugal. Mr. Jensen, representing EFF in Portugal, says he has seen Retail-Three's buying guide for its buyers. He says he is amazed by the "dirty tricks" which are employed during negotiations.

In this sub-structure, the main actors have a tight and frequent contact. The example is a good illustration of a traditional wholesaler also working as an agent. One supplier supplies four to five regular customers via one agent, with a large and steady volume representing 90 per cent of its total.

Case 4: Agent-Four

The fourth sub-structure to exemplify consists of Agent-Four, who is a wholesaler, supplying for SecPro-Four. SecPro-Four is a Norwegian secondary spot-producer, basically consisting of the owner. It purchases 60-70 per cent as raw-material from sea fleets and the Norwegian coastal fleet. The processing of this is outsourced. The remaining 30-40 per cent SecPro-Four trades. Wholesaler-Four purchases all of SecPro-Four's bacalhau from Agent-Four and distributes it to a number of HoReCa-actors (Hotel, Restaurant, Catering). Agent-Four's

agent position in this sub-structure can be illustrated as shown by Figure 6. This fourth example is marked by SecPro-Four having Agent-Four between itself and its only customer, Wholesaler-Four.

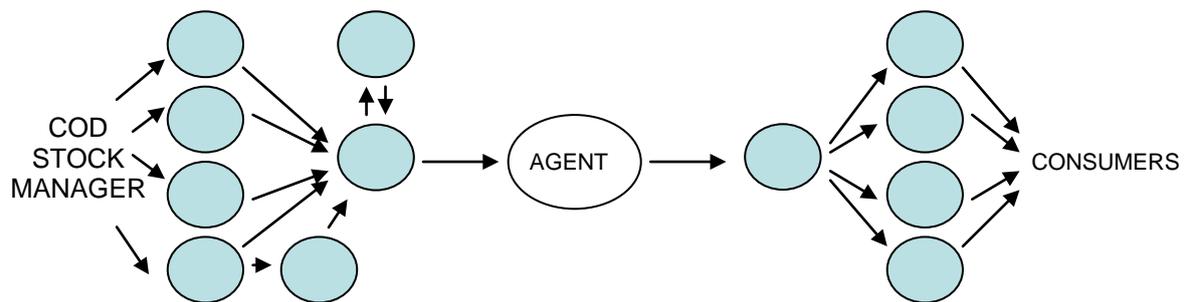


Figure 6: Agent-Four's position in the sub-structure.

Supplier

SecPro-Four was founded in 1995. Before that time, the owner worked with bacalhau export in another company. In 1995, SecPro-Four purchased 70-80 per cent ready produced bacalhau, and 20-30 per cent fresh cod that it paid a production plant to process. Today, these numbers are the other way around, as SecPro-Four now only purchases ready processed bacalhau to complete certain orders. In 1995, SecPro-Four sold approximately 50 per cent to Portugal, and had a total turnover of 95 million NOK (about 12.6 million EUR). Ten years later, that was reduced to 20-25 per cent of the annual total – constituting 500-600 tonnes –, and the turnover to 75 million NOK (10 million EUR). SecPro-Four has spread its business globally to make itself less vulnerable to fluctuations in the various markets.

SecPro-Four considers the retail chains to have become too dominating. It will not supply these anymore, due to a number of reasons. First and foremost, the retail chains press the price, using bacalhau as loss-leader. Doing that is illegal, but the chains circumvent the law, for example, by offering value coupons to consumers purchasing a certain volume of bacalhau. These coupons are equal to the discount the retail chains are not allowed to give. This way, the owner of SecPro-Four explains, the retail chains can purchase bacalhau for 11 NOK (1.5 EUR) and sell it for eight NOK (one EUR), which makes it difficult for the suppliers to earn money. Furthermore, the retail chains do not pay for the bacalhau before after 90 days, at the earliest. In addition, after 90 days the chains may not wish to pay for the received bacalhau, because they, for example, have not managed to sell it. The supplier may actually be asked to come and collect the bacalhau, rather than getting it's agreed upon payment. This is not uncommon. For these reasons, SecPro-Four perceives it hard to cooperate with the retail chains. Small suppliers profit more on doing business with small customers, the owner concludes.

The margins are small. The owner explains how he risks half a million NOK (66,500 EUR) to earn 5-6,000 NOK (666-800 EUR). For instance, an exporter earns approximately 5,000 NOK (666 EUR) on a bacalhau container to Africa or the Dominican Republic, at a great risk. If the exchange rate changes over night, for example, the sale can be a loss. The same comes for Portugal; a lot of bacalhau and limited profit.

In year 2000, SecPro-Four had a top year with a 200 million NOK (26.6 million EUR) turnover. That year it covered five and a half per cent of all bacalhau exported from Norway. At that level the owner spent 70 per cent of his time solving problems, and only 30 per cent on purchase and sale. 'To bike ride' is, for example, a common problem-related term. If you send bacalhau to a customer, and do not receive payment, some chooses 'to bike ride', the owner explains. 'To bike ride' you do when you send new bacalhau to the customer, for the

customer to sell it to be able to pay the previous supply. If you are unlucky, you end up not getting paid for any of it. It can be compared with loaning money to pay old debt. In the long run it normally ends bad. The more you sell, the more delays, the more customers with payment problems, and the more you need an agent, the owner of SecPro-Four summarizes.

SecPro-Four aims at knowing the bacalhau market as well as possible. It does not want to trust the important collection of knowledge to its agent, depending on being kept informed, as some of the volume-producers do. Why should the Purchasing Manager of a retail chain spend time on explaining what is going on, when he can limit himself to express the supply he wants?, he asks. The owner of SecPro-Four speaks with Agent-Four two to three times a day, in addition to a number of other actors, to know what is going on. If you are out of business for a couple of years, he continues, you have to spend time observing before coming back in. You have to know the fluctuations of the market to succeed. Some of the 30-40 per cent of bacalhau SecPro-Four trades, for example, is on behalf of one of its cooperating production plants, SecPro-FourB. During a year, SecPro-FourB sells only five to six tonnes of bacalhau to Portugal. It uses SecPro-Four to trade, as it no longer knows the Portuguese market. The President of SecPro-FourB, explains how it takes a customer only seconds on the phone to figure out whether you know the market or not. If you do not, you are in trouble, he concludes.

The owner of SecPro-Four tells how it is not enough to know the market. Many Norwegian companies have tried to establish their own sales offices in Portugal. Without exception they have been cheated and lost their investments. He believes you have to know each other, be of the same culture and race, so to speak. If not, it has shown not to work. Consequently, SecPro-Four uses the wholesaler Agent-Four as agent.

Agent

Agent-Four is a Portuguese wholesaler founded in 1995. It is a family owned company which employs six people in average. The annual turnover is approximately €six million.

Initially, Agent-Four had many Norwegian suppliers. At one point, however, it became difficult to find enough bacalhau. This is when it started working with SecPro-Four. Today, the owner of Agent-Four, Mr. Four, claims Agent-Four purchases 98 per cent of its bacalhau from SecPro-Four. This accounts for two to three containers a month, approximately 75 tonnes. Mr. Four and the owner of SecPro-Four have a close personal relationship. For instance, Mr. Four was Godfather when the owner of SecPro-Four's son got baptized. Still, SecPro-Four's bacalhau is always landed at Agent-Four for inspection and quality control; it never goes direct to the customer. SecPro-Four's quality is stable, but Mr. Four emphasizes the necessity of controlling it.

Mr. Four says he tries to sell the bacalhau as soon as he gets the invoice from SecPro-Four, so when the bacalhau arrives it is usually already sold. Agent-Four has a total of 112 customers. These are also wholesalers, but of various size. Before establishing SecPro-Four, Mr. Four worked in another company in the bacalhau industry for 35 years. When leaving, he brought with him five or six of Agent-Four's current biggest clients, accounting for 40 per cent of the volume.

Customer

Agent-Four has its own distribution via car. It distributes only in the north of Portugal. This is where the wholesaler Wholesaler-Four is located. The owner of Wholesaler-Four purchases all of Agent-Four's bacalhau, from SecPro-Four. Wholesaler-Four was founded in 1994. In addition to the owner, the company employs six people. The annual turnover is € five million. It has approximately 400 customers in total, represented by wholesalers, retailers and HoReCa-businesses.

The owner of SecPro-Four visits the owner of Wholesaler-Four when he is in Portugal, three to four times each year. SecPro-Four does not supply Wholesaler-Four directly, so it has no commercial contact, but Wholesaler-Four is a fairly big customer of Agent-Four. The owner of Wholesaler-Four has not met any of the other suppliers of his suppliers.

This sub-structure consists of many and mostly smaller actors. The example is another illustration of a traditional wholesaler also working as an agent. It shows how the interaction between the main actors is funded on strong social bonds, creating dependencies. One supplier supplies one customer via one agent.

IMPORTANT FUNCTIONS IN THE ROLES OF THE AGENTS

I have described variation in the agents connecting the Norwegian suppliers and the Portuguese customers, and illuminate their functions when connecting two or few set actors. In this section, I will discuss the important functions of these intermediaries, and their role(s) in the network.

The focus here is on the export-agent, which is an intermediary in the position of a distributor for a supplier. It operates on behalf of the supplier, and is paid by the supplier. Both the export-agents and the import-agents do, however, also work as traders connecting the Portuguese and the Norwegian parts of the Norwegian-Portuguese bacalhau network. In that sense, the agents of this article can be said to be both in the position as distributing and trading intermediaries.

Concerning Jensen's (2009) framework for the strength of an intermediary's position, none of his three elements seems applicable to the intermediaries of this article. The distribution system of the network does not have a particular high complexity. Actually, it is very straight forward with the cultural differences and regular conflicting interests of interdependent counterparts as the only challenges. Furthermore, in the bacalhau network, the agent intermediates one supplier and one or few set customers. Not very complex, with other words. Finally, in the bacalhau network, the agent is not necessarily very involved in coordination. The contracts are negotiated between the customer and the supplier, except in the case of Agent-Four. The presence of the agent, as a 'safety valve', seems to a large extent to be enough. Despite this, the agent seems to have a strong position.

Concerning the agent's roles, there is no 'reduction of business ties'. Rather, the supplier and the customer(s) add one when involving the agent. The supplier is in daily contact with the customer(s) and the agent. In addition, the agent represents an increased cost, being paid one per cent. Considering the network's lying and stealing problem, the inclusion of an agent probably represents a much larger saving of costs. The problem between the two parts of the network is underlined by Mr. Two's expressed fears of being cheated, by the supplier who pays him and depends on his service.

Having a one-to-one-to-one interaction, they neither are 'achieving scale advantages'. It is the customers and the suppliers that arrange the transport and storing, not the agent. The only – anti-scale – advantage seems to be the presence of the agent, an insider of the other culture, as a 'safety valve' or 'body guard' against attacks. Even in situations when the supplier and the customer already have made a written contract, an agent is involved to make sure it is performed as agreed upon. In other words, the advantages with using an agent also go for both the small and the very large and dominating suppliers.

The agent does possess a certain 'task and skill specialisation'. The agent is complementary to the supplier, having specialised information and an insider position, among

other things, which the supplier does not and can not. If there were no cheating between suppliers and customers, there would apparently be no need for an agent. Using an agent seems like the most optimal structure (Alderson and Martin, 1965). Even if the agent's only specialisation is being a member of the 'other' culture, it would apparently be a specialisation enough in this network. The larger the supplier is, and the fewer customers it have, the less number of other suppliers do the agent service, to adjust to the supplier's different needs and demands. Another, or additional, action to 'guarantee' against being cheated, are personal relationships and strong social bonds, which could compensate for a small supplier's lack of economic power. An example is Mr. Four being the Godfather of the owner of SecPro-Four's son.

Concerning 'risk sharing', the involvement of the agent does not represent moving or spreading of risk. The supplier has one or few long-term customers, and the conditions of the relationship(s) are closed in contracts. The agent minimizes the risk, by making the carrying out of the agreed upon contracts more reliable.

The above discussion has showed how the agents of the Norwegian-Portuguese bacalhau network stand out in the literature. It has one primary distributor position and one underlying secondary trader position. Its roles are very limited, focusing on its specialisation of being an actor representing the other culture in the other culture, and the risk reduction that follows that.

In theory, the intermediary functions are outsourced, and can thereby easily be taken over by any of the two sides. In reality, this depends on the industry in question, and how its actors' activities influence and is affected by each other. The intermediaries' different positions, roles and functions are formed by their interaction with their counterparts. The functions of the agent, represented by their main groups of activities, are listed in Table 2.

Table 2: Typology of agent activities

	Agent-One	Agent-Two	Agent-Three	Agent-Four
Customer contact	X	X	X	
Market information	X	X		X
Requests & Deliveries	X	X	X	X
Presence in market	X	X		X
Disagreements	X	X		
Language interpreter		X	X	
Culture interpreter		X	X	X
Negotiations & Contracting		X		
Building relationships		X		

The cases illustrate, that despite a low number of entire functions, sometimes, the inter-organisational coordination only becomes easy when an intermediary is involved.

CONCLUSION

The article starts out with a literature review, focusing on the intermediary, its positions and roles. A brief description of the Norwegian-Portuguese bacalhau network and its history were given next. This indicated a structure consisting of a Norwegian network and a Portuguese network, of few and larger actors, connected by agents. Then the methodology was presented. Finally four empirical examples, of different sub-structures using an agent intermediary, were presented and analyzed.

The network used to be dominated by a structure consisting of many and small actors, with imbalanced power between the Norwegian and the Portuguese parts of the network. The involved actors had developed this structure and power imbalance through interacting with each other over 300 years. In the 1990s, several major changes occurred. They resulted in a quick evolution, and a new dominating structure consisted of fewer and larger actors. They also brought with them a shift in the power (im)balance. Lies and theft seem to have become a larger problem, than before. A specific agent intermediary role was created for the Norwegian-Portuguese bacalhau network to continue existing, guarding the recent developed power balance.

The changes in the network structure disturbed the power (im)balance, and increased the need of an agent. The agent, connecting the Norwegian and the Portuguese parts of the network is given very specific functions, complementing those of the suppliers and the customers. The functions are limited to services; follow up on requests and deliveries, being present, customer contact, interpret the culture, and so on. Also one supplier and one customer dealing a large and steady volume is dependent of the functions of the agent. The new structure rests on the role and functions of the agent.

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