

Resuming Ended Business Relationships: The Impact of Relationship Remains

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Abstract

Business relationships have been in focus in research for many years, and there are also streams of research investigating relationship initiating and ending processes, as well as their network effects. However, there are few studies on relationship aftermath time. Therefore, the purpose of this paper is to elaborate on different types of remains that may influence the resumption of a former relationship. To illustrate this discussion, we make use of a case study. The study indicates that however intangible and vague, remains of a previous relationship may be substantially influential to a resumed relationship.

Key words: relationships, aftermath, ending, remains, resuming

INTRODUCTION

Closing down a company means that all of its relationships are ended: employees are made redundant or move to other employments within other organisations, and company-external relationships, such as customer and supplier relationships, are terminated. However, even though a company has ceased to exist and the individuals have disappeared from the scene, different types of tangible and intangible remains may be found. One example is individual memories of the past which carry remnants of the formerly ongoing relationship (Havila and Wilkinson, 2001) or of the ending process (Alajoutsijärvi, Möller and Tähtinen, 2000).

Business relationships have been in focus in research for many years, and there are also streams of research investigating relationship initiating and ending processes, as well as their network effects. However, there are few studies on the business relationship aftermath time. One reason for this may be the difficulty to study something “that is not”. For example, when trading in a business relationship has stopped, the individuals involved in the former relationship may be reluctant to talk about something that is terminated. It may also be difficult to find persons to interview as they may have ended their employment. In situations when a whole company is closed down this becomes even more difficult.

One way to solve this problem, which we use in this paper, is to study a situation when business of a once closed company is resumed. The purpose is to elaborate on which type of tangible and intangible remains may survive an extended period of time of inactivity, and especially how these remains may influence business relationship resumption. Thus, we focus on two types of resumption: resumption of a company’s former business, and resumption of former business relationships. In our discussion we will use a case study where a company’s business was resumed after 20 years of non-activity. The case study indicates that however intangible and vague, remains of a previous business relationship may be substantially influential to a resumed business relationship.

The paper is structured in the following manner. First, we discuss the theoretical framework appropriate for understanding resuming of business relationships. Second, we present the method and a case study of business resuming. And third, we analyse the case study and end with conclusions regarding the impact of relationship remains on business resumption.

THEORETICAL FRAMEWORK

According to the business network approach (see e.g., Håkansson and Snehota, 1995), every business relationship is unique, owing, for instance, to the developments that have taken place over time. These past developments also affect how the parties see, and react to events taking place in the relationship. For example, that historic backgrounds matter became evident during the termination of two production lines (Havila and Salmi, 2009): suppliers who felt that the interaction atmosphere and previous history had been positive seemed to have a wider acceptance for changes, even dramatic ones.

Research on ending of business relationships shows that ending situations can differ widely: business relationships may be ended in many different ways and for very different reasons (e.g., Alajoutsijärvi, Möller and Tähtinen, 2000; Pressey and Matthews, 2003). It has for

instance been found that the process of relationship dissolution may be a complex and complicated process that disconnects the two business parties from each other (e.g. Havila, Medlin and Salmi, 2013); or it may be a natural process based on mutual agreement, where the possibilities for future business are retained (e.g., Alajoutsijärvi, Möller and Tähtinen, 2000). Furthermore, there are studies that show that business relationships are sometimes deliberately terminated either by the seller and/or by the customer (Holmlund and Hobbs, 2009; Pressey and Mathews, 2003), whereas they sometimes fade away without any deliberate decision of termination (Pressey and Mathews, 2003).

Most research dealing with business relationship ending has focused on relationship development seen as process that ends with a dissolution stage or phase (e.g., Dwyer, Schurr and Oh, 1987; Ford, 1980). For example, Halinen and Tähtinen (2002) see relationships as terminated when different types of activity links, actor bonds and resource ties are broken. During the termination process different type of competence may be needed (Havila and Medlin, 2012; Ritter and Geersbro, 2011). For example, Alajoutsijärvi, Möller and Tähtinen (2000) discuss the different types of communications strategies and Giller and Matear (2001) different types of terminations strategies that can be used during termination. Also the important role of individuals has been recognised (Ryan and Blois, 2010).

So far, the main focus in ending studies has been on the ending process itself, and not what happens when relationships are terminated, during the so called aftermath stage. Therefore, in this paper, our focus is on the time period after business is terminated which lasts until the relationship eventually is resumed (see Figure 1).

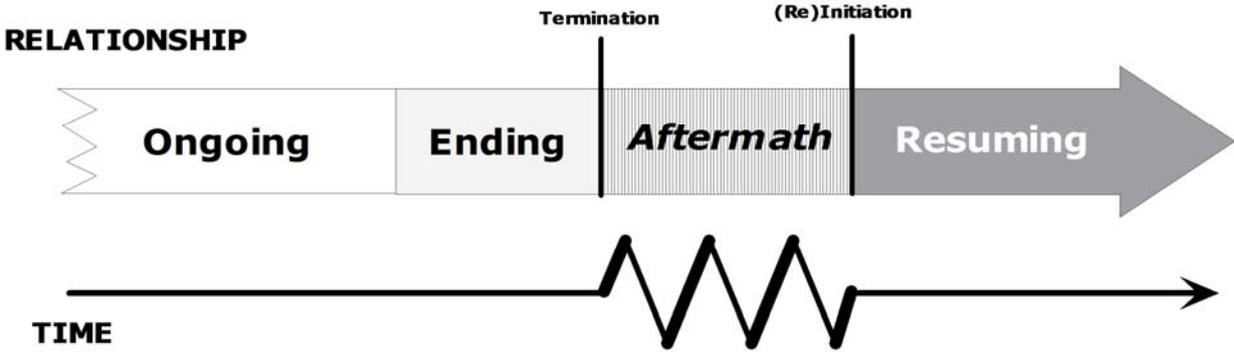


Figure 1. Relationship statuses

Resuming business relationships

Even though little research has been devoted to business relationship aftermath, there is still some research to be found that indirectly or directly deal with this issue. As an example, earlier research has indicated that business relationships related to intermittent projects can at times be seen as *sleeping* (Hadjikhani, 1996; Skaates *et al.*, 2002). In these situations, the notion of a sleeping relationship refers to a (temporarily) low-frequent or non-interaction/non-

business episode in an otherwise existing, although discontinuous, relationship. Another type of relationship aftermath situation is indirectly discussed in research focusing on switching or back-sourcing (i.e. bringing work back in-house) (e.g., Whitten and Leidner, 2006). However, focus has often been on the *likelihood or causes of switching* (e.g., Ghosh and Taylor, 1999; López and Peters, 2011). A third type of indirect discussion can be found among studies focusing on *effects of relationship ending on other parties* (e.g., Vaaland, Purchase and Olaru, 2005).

That business relationship ending involves an aftermath stage is recognised by, for example, Halinen and Tähtinen (2002), who see that ending ‘is mentally processed and finalised’ in that stage. Also, Havila and Wilkinson (2001) discuss relationship aftermath and show that personal contacts can still continue even though business do not. For example, salesmen may continue to visit the former customers’ purchasers on a regular basis even though no sales take place. Another example is employees that move to new companies and take the customer with them. All these examples show that there may exist relationship remains at the individual level, and that these may be in the form of memories of the former business relationship. Harrison (2004), in turn, discusses legal aspects in connection to termination which illustrates organizational level remains.

Even less research is devoted to relationship ending in connection to business closure (some exceptions are Havila and Salmi, 2008; Havila and Medlin, 2012). In this type of situation, both intra-company and inter-company relationships are terminated. However, relationship remains may exist in the form of archival material as well as individuals’ memories of the past relationships.

Relationship remains

In every organization, rules, procedures, technologies, beliefs and cultures are developed and maintained through what might be referred to as an *organizational memory*; systems of socialization and control (Levitt and March, 1988). An organizational memory not only records the history of the organization but also shapes its future path, as continuous interpretations of the past are embedded in systems and structures as well as within individuals (Walsh and Ungson, 1991). Building on the categorization of organizational memory into “storage bins” (Walsh and Ungson, 1991) and further developments thereof (Ackerman, 1998; Akgün *et al.*, 2012), it has been argued that organizational memory can be retained in six places: individuals, organizational culture, organizational structures, physical artifacts (organizational ecology), internal archives and external archives. It is fair to assume that when a company is closed and its relationships are terminated, individuals within the organization, organizational culture and organizational structures cannot be studied in the same way as when the company was active.

However, *individuals* (either former employees or other individuals external to the discontinued organization) are crucial memory carriers of any remains even after an organization has ceased to exist. *Physical artifacts* may also continue as places where relationship remains can be found. Physical artifacts refer to the actual physical setting, or workplace ecology (cf. Walsh and Ungson, 1991), of an organization; that is, the layout and design of all of its physical facilities. This includes everything from workplace layout to architecture and infrastructure. Some physical artifacts, such as the plant, may remain even

after a company closure. A third place where relationship remains can be found is different types of *archives*. For example, company internal archives are basically formalized and articulated organizational memory stored as corporate records, accounts, manuals, databases, filing systems and even stories told by its members, which in many cases are stored even though a company is closed down. Company external archives are not the least important, especially considering organizations that have ceased to exist. Any organization is surrounded by others who follow and/or are dependent on its actions, such as business partners, former employees, competitors, governmental agencies, journalists and business historians. Investigating relationship remains thus requires acknowledging and studying three categories of organizational memory, stored in three types of places; see Figure 2.

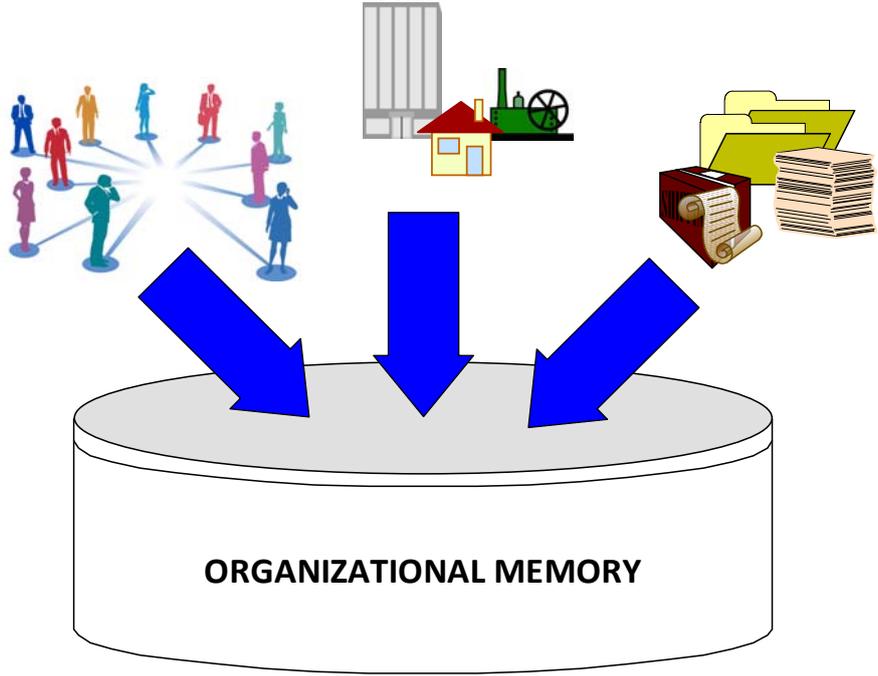


Figure 2. Framework for studying relationship remains

METHOD

The study is based on a single case study of the Mining Company, a method useful in exploratory research (Yin, 2009). A fundamental principle of data collection in a case study, and a single-case study in particular, is to achieve multiple sources of evidence (ibid.). To increase validity, the chosen research design is combining primary with secondary data, both considering the focal company and the other relevant actors with which the company has established business relationships. Apart from studying official company information, oral presentations, press-releases, and data from, for example, articles in public media, primary data was gathered through six interviews with individuals considered to be key informants (Marshall, 1996). Two interviews (in September 2010 and June 2012) were made with one of the founders of the Mining Company, who also acted as the CEO during the starting phase of the company. Later (in October 2011) and (in November 2012), the two subsequent CEOs

were interviewed. Furthermore, two interviews were made (January 2012 and in May 2012) with key representatives of the local municipality in which the Mining Company is situated.

The framework for studying relationship remains were used to study the type of tangible and intangible remains that had survived the around 20 years of inactivity. Thus, both individuals' memories of the past relationships as well as physical artefacts and archives were in focus for our study.

THE CASE OF THE MINING COMPANY

Located in an area of Sweden known for its iron ore and iron works since the Middle Ages, the Mining Company and its iron ore mines has been operational since the 15th century, on a relatively large scale of ore extraction. Ownership has switched during the centuries, but the Crown/Government has always been influencing the business. The last owner, before the closure in 1992, was the mainly state-owned Swedish Steel; a conglomerate formed in 1978. As a result of the low market prices paid and a weakening demand for iron ore during the late 1980s, and low or negative profit in the Mining Company, Swedish Steel decided in 1987 to close the company; focusing on larger mining plants elsewhere. However, the mine remained in operation until 1992 (at that time actually at a profit), when the last ore of the era was extracted, refined and delivered. After closing, the mining facilities and equipment were mainly left as they were (below and above ground), and the mines were gradually flooded and filled with ground water, as the pumps were switched off.

The Mining Company's most important counterpart types (see Figure 3) that existed when the company was in operation were:

- Owner/parent company
- Employees
- Local municipality; as being a relatively large business influencing the region, and also being subject to directives, regulations and local political decisions
- Customers (primarily steel works), both national and international
- Local/regional electricity supplier
- Suppliers of transport/logistics solutions, such as road carriers and contractors, railroad carriers and contractors, shipping companies, and port facilities
- Equipment suppliers, for wheeled machinery below and above ground, and stationary production facilities, such as lifts and sorting systems
- Services suppliers and petty suppliers, for maintenance and repair of all kinds, cleaning, expendables and catering
- Concession authorities (that is, in this case the County Administrative Board)



Figure 3. Most important counterpart types until 1992

The process of closing operations, and ending/exiting extant relationships with customers, suppliers, partners, municipality officials etc., not to mention the employees, consequently lasted five years, until the company was left completely non-operational. After a period of 13 years of lying fallow, two entrepreneurs started a new company in 2005, using the old name of the mine (“Mining Company”) and seeing a strong potential of business opportunities and profitability in resuming the mining activities. The goal was “to resume operation of the [...] iron ore mine, and to do so with good long-term profitability and under environmentally sustainable conditions” (Mining Company Annual report 2010). The two entrepreneurs, lacking iron ore mining experience although one of them being a geologist, managed to tie expertise and – most importantly – financiers to their venture. Three years later, the company received the concession, and its organisation and management shifted to adapt to the next phase – fit with a skilful group of professionals who were to build up an operational organisation. Seven years after the starting point of the company, and 20 years after the end of prior operations, the Mining Company would once again be fully operational; business resumed and with a pace of production by far exceeding that of the past.

As so many years had passed, the knowledge and competence of the operations at the site and its previous business relationships had either vanished or become obsolete – together with much of the previously used mining technology. Resuming operations at the Mining Company was, by the look of it, a case of establishing new relationships with all types of actors involved; from employees and service suppliers, to authorities, municipality and customers. Nevertheless, although many of the individual professionals of the past were gone, there were in many cases the same actors (at an organizational level) present that had been involved in the prior mining operations; actors who were in a way resuming relationships with the Mining Company. The local authorities at the municipality level, as well as the concession authorities were the same, and there were still – however faint – memories of past operations. The suppliers of, for example, electricity, transport facilities, maintenance services and equipment are basically the same as they were 20 years ago, as are – more or less, though maybe under different ownership – possible customers in the market. To reach the customers

could easily be done using the railway line that was there, but which needed to be renovated, and the harbour located nearby.

RELATIONSHIP REMAINS VISIBLE WHEN MINING BUSINESS WAS RESUMED

The Mining Company's business is of the same type as it was before, which means that the most important counterpart types are still the same as before (see Figure 3). Even though 20 years had passed, there still existed individuals that had memories of the former relationships. These individuals can be found at the

- former owner company that still continues within the same business
- former employees
- local municipality
- customers
- local/regional electricity supplier
- suppliers of transport/logistics solutions
- equipment suppliers
- services suppliers and petty suppliers
- concession authorities

Individual memories of relationship remains

Individuals at the former counterparts, still have memories of the past. For example, three persons of 23 newly employed in February 2012, had been working also in the former company. One these persons started at the company when he was 16 in the middle of 70s and had worked there until the end of 80s. He feels that he still knows his "new" job as his ten fingers (article in Newspaper). Another example is the Town Manager at the local municipality, who was involved during the termination phase. He remembers the negotiations when the municipality was to take over the land and properties from the earlier Mining Company. Thus, individual memories of the earlier relationships can be found, but are not influencing the resuming due to long time period that has passed.

However, in a way, the support from the local community and its inhabitants has indeed had effects on the resumption of operations. The people living in the region have for generations been dependent on or closely connected to the Mining Company, being proud of the local mining tradition, and the company managers were surprised at the fact that there were no objections or appeals made, what so ever, when reinitiating the mining business.

Relationship remains in physical artifacts and archives

Regarding any relationship remains in the form of physical artifacts and archives, the situation was different. At business closure, the mining facilities and equipment was left as they were (below and above ground). The roads and the railway that was used to transport the iron ore to the shipping harbour remained as before, as well as offices and industry buildings, and houses for former employees, located nearby.

When production facilities were to be updated and rebuilt for modern production, the whole process of getting the infrastructure above and below ground running (access ramps, elevators, ventilation systems, electricity networks, loading terminals, railway, sorting plant etc.) only took one year (interview, Chairman), possibly indicating the effect of relationship remains.

As mining business is regulated by the Swedish Government, through the Mining Inspectorate, any reports and documents considering mining business and permits issued are stored in its archives. Hence, there are descriptions, legislative and geographical records, concessions et cetera to be found concerning the Mining Company here. Mining operations at the facility's ore reserves were first mentioned in a document dated in 1481, and there are since then records of the mine, its location, and mineral reports kept in these and other archives. These remains were of the utmost importance to the entrepreneurs restarting the business in 2005. Also, thanks to records of quality and iron ore content kept by former customers, they have the possibility to know exactly what type of iron ore that is produced in the mine. One example of how these types of remains influenced the resumption of business is that when visiting one former customer of the mine in the UK, the entrepreneurs of the newly started company were shown many binders of saved documentation from previous business; detailed delivery agreements and reports since the 1940s and onwards (interview, co-founder).

To sum up, even though 20 years have passed since the previous operations were terminated, different types of relationship remains can be found in the form of physical artifacts, in individuals' memories and in archives. These influence the resuming of the Mining Company's business in general, and also the resumption of specific business relationships in particular.

CONCLUDING REMARKS

All relationships, whether personal, business-to-consumer, or business-to-business, encounter episodes that significantly influence the future of the relationship. The influence of these critical episodes may be of vital importance to the future of the relationship (Gidhagen, 2002) – and to its termination and aftermath. In the Mining Company case, relationships that had lasted for many decades (and even centuries) were ended in 1992, but are resumed 20 years later.

In a case of resuming relationships after a shorter period of latency, maybe one or two years, extant relationship remains likely contribute to a relatively smooth and straight-forward resumption of the relationship. Unless something has critically changed the operational circumstances of either of the parties, there may readily be important remains in terms of individual and organizational knowledge, as well as supporting facilities and a well-suited infrastructure; that is, metaphorically speaking, it is just to turn the switch from “latent” or “sleeping” to “ongoing”. However, in the case of the Mining Company, there are some critical issues assumingly affecting the resumption of relationships. The first one is the criticality of the time aspect.

After so many years of latency, the chances of finding and using any “live” remains (individuals and/or artefacts) in the relationship aftermath are slim. In fact, there is not even

an active organization present that would have been able to preserving the remains. Hence, there are no actual memories left in the inanimate object (the mine), but still; the mere fact that physical artifacts still exist represents a remnant of previous relationships, and there are archival and other types of stored information to add to the remains of the relationships. Thus, in the different types of relationships in the Mining Company context, they all have one remnant in common: the actual mine per se. However, as a result of the aspect of time (where 20 years is a long time), the presence of “live relationship remains” – as in the living memories of employees, and routines/practices still used – is likely limited.

The case of the Mining Company with all the different types of intra- and inter-organizational relationships, provides an excellent opportunity to study not only the fact history matters, but also how it matters, as well as when it does not matter. As a comparison, in studies of ongoing relationships this is difficult, because it is not possible to isolate aspects relating to one specific relationship from influences from other directly and indirectly connected relationships. Besides presenting a multitude of different types of relationships, there is in a case like this – with its 20 years long aftermath period with no influences from other parties – a possibility to study the effects of any particular relationship in investigating the remains thereof, and its importance for resuming business.

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