

Competitive paper

# **A revival of the intra-organizational perspective**

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## **ABSTRACT**

The IMP tradition highlights business relationships and their importance for the company's access to resources as well as how interactions within relationships contribute to knowledge development in companies. However, in spite of an early recognition of the role of individuals, for instance in the interaction approach model (IMP Group, 1982), most research addresses the company level of relationship development regarding organizations as homogeneous actors. We argue however, that an intra-organizational perspective needs to be reintroduced into the analysis of interaction processes in relationship development. Intra-organizational power struggles between actors within a company may have an impact on its relationship development processes with other companies. The constellations of individuals may vary depending on the issue at stake and may include direct as well as indirect interaction involving also external actors. Consequently, we suggest a revival of the intra-organizational dimension of relationship development processes and do so by further developing the interaction model regarding this dimension and the relationship between the company and the external environment. Our arguments are illustrated with a case where a company initiated relationship development with another company in spite of resistance from a group of actors within the intended partner, including several board members. In the case, opponents as well as proponents of the relationship engaged media as well as other external actors in order to affect the outcome of the process.

Keywords: interaction model, intra-organizational, individual, conflict, relationship development

## INTRODUCTION

The basic unit of analysis of any social system is the individual behavioural act (Frese and Zapf, 1994; 1951) but these actions do not take place at random in a vacuum; they are affected by the surrounding context and the individual actions will come together in space and time in both direct and indirect interpersonal interaction. The IMP tradition highlights business relationships and their importance for the companies' access to resources (e.g. Snehota, 1990). However, in spite of an early recognition of the role and importance of individuals in relationships and relationship development processes, for instance in the interaction approach model (IMP Group, 1982), the starting point for most research is on the company level. A single company represents the focal actor, and its relationships to other companies are studied. In other cases it may be a dyad between two companies or the wider network of interconnected companies that are studied (Håkansson and Snehota, 1995). Although the IMP tradition (IMP Group, 2002) acknowledges that companies consists of individuals who act and that there can be discrepancies between different actors internally within a company, the general assumption (explicit or implicit) is that companies act in a unified manner in relationship development processes. Furthermore, when the role of individuals and the individuals' interpretations are acknowledged, their integration to a company whole are nevertheless mainly presented as a frictionless process (Ford, 1980) or at least the picture is free from competing demands at the company level (e.g. Ford *et al.*, 1986; Håkansson and Ford, 2002; Wilkinson and Young, 1994). Even when intra-organisational topics are studied, it is mainly in terms of efficiency and effectiveness, that is, making different units act for a common good (cf. Möller and Rajala, 1999) and not in terms of power struggles affecting both internal (intra-organizational) and external relationships.

We question this perspective of viewing a company as a unified entity. In contrast we argue that the observations by for instance Håkansson and Snehota (1995) that companies are no monoliths, but consist of different constellations of groups or individuals who control resources on which the counterpart may be dependent and that interests may coincide or be in conflict with each other, must have a revival. Conflicts, when one actor finds that another actor is interfering with the attainment of its goals (Rosenbloom, 1999, in Welch and Wilkinson, 2005), may arise within companies or in relationships but may also originate in external sources (Bengtson *et al.*, 2013), residing in the connected relationships in the respective contexts in which the two parties act (Pfeffer, 1978). Since intra-organizational conflicts and their effects on relationship development with external partners have not extensively been considered in previous research, the purpose of this paper is to contribute to research on relationship development processes by illuminating how actors, both internal and external to the dyad in question, may try to affect the outcome of such processes on the basis of conflicting interests and how such actions in turn may affect the relationship atmosphere. In order to capture these aspects of relationship development processes, we suggest a revival and development of the interaction approach model. This model includes the individual dimension but does not consider the potential conflicts within companies that may result from varying experiences, motives and goals among these individuals. We furthermore offer an extension regarding the relationship between the company and the external environment. In the revised model, it is now clearly indicated that the environment not only has an impact on the dyad – in addition also individuals and companies may approach and try to affect actors in the environment in order to, with their help, affect relationship development.

Our arguments are illustrated with a case where one company (Old Mutual) initiated relationship development with another company (Skandia) aiming for a takeover. This was

resulted in divided Skandia where some influential individuals were supporting the relationship whereas another group of influential individuals were opposing it, e.g. the Skandia board could not agree on a unified response. Opponents as well as proponents of the relationship within the focal companies looked for allies and approached the media to get their opinions conveyed in order to affect the outcome of the process. Actors external to the dyad were also active in this process. The case is built on such media reports to reveal how the process is argued for by different actors in the media.

In the following the dominant view on how companies act in relationship development processes is presented, focusing on the original interaction model. Thereafter the method of the case study is presented, followed by the case presentation, case analysis and a concluding section where the original interaction model is developed.

## THE DOMINANT VIEW ON HOW COMPANIES ACT IN RELATIONSHIP DEVELOPMENT PROCESSES

Research within IMP generally assumes that relationships between business actors develop through interaction and exchange processes and recent research has emphasized that these processes can be troubled (Tähtinen and Vaaland, 2006), instable (Bengtson *et al.*, 2013), and discontinuous (Hadjikhani *et al.*, 2012). Furthermore different perceptions of what constitutes a legitimate behaviour can have an effect on the relationship process (Gebert Persson *et al.*, Forthcoming). Even though Gebert-Persson *et al.* (forthcoming) emphasize that internal struggles exist, their major contribution is to illustrate how media is drawn on to affect legitimacy perceptions.

### Basic assumptions

Within the IMP tradition (e.g. Anderson *et al.*, 1998; Axelsson and Easton, 1992; Ford and Håkansson, 2006; Halinen and Törnroos, 1998; Håkansson, 1982; Håkansson and Snehota, 1995; Håkansson and Östberg, 1975; Johanson and Mattsson, 1985; Snehota, 1990) business organizations are viewed as heterogeneous and both customers and suppliers are active in negotiations with counterparts. The companies perform activities and exchange resources with other parties and are thereby directly and/or indirectly connected. Through interactions, long-term relationships evolve on the basis of mutual adaptation, commitment and trust. Such business relationships are seen as fundamentals for understanding buying and selling behaviors of business organizations.

The interactions between two companies are furthermore dependent on the relationships that each party has with other companies, that is, third parties. Taken together, these exchanges represent interaction processes mutually connecting the parties through interdependent relationships forming a web/network of actors and relationships (Anderson *et al.*, 1994; Håkansson and Snehota, 1989; Snehota, 1990). This implies that the environment is not faceless, atomistic or within the control of the organization. It is enacted as the business organizations' interdependent relationships are created through interactions and these interactions even constitute the organization, "a business organization without its interactive environment loses its identity" (Håkansson and Snehota, 1989, 192). Through its relationships, an organization has direct and indirect access to embedded resources and the network thereby contributes to the organization's competitive advantages. The "environment"

in which a business organization acts can thus be defined as interdependent relationships resembling webs of relationships constituting a network context.

As a consequence of conducting business, the network context is continuously emerging, evolving and dissolving over time. It is thus both seen as structure and processes (Anderson *et al.*, 1998; Anderson *et al.*, 1994; Snehota, 1990). The network context is specific for each company, and the way it is understood depends on the cognitions of the actor which in turn are translated into behavior (Snehota, 1990). The concept of cognition puts the individual level into focus. Only individuals have perceptions that can be transformed into organizational actions.

### The received interaction model

The interaction model (IMP Group, 2002) explains interactions taking place between two separate business organizations and how these interactions are embedded in and affected by the structure of the respective business organizations, the atmosphere as well as the environment. The interaction model acknowledges the role of individuals in interaction processes by including individual aims and experiences in the framing of a focal dyad, see figure 1 below. However, the individual level is not further discussed as the outline of the model (IMP Group, 2002, 22) presents the model as “a two party relationship, but the approach can be applied also to a several party relationship”. We therefore argue that in order to grasp the full picture of the forces affecting relationship development processes, potential differences in goals and perceptions among individuals within organizations need to be further emphasized. Consequently, in the following we focus on the interacting parties per se.

-----Insert Figure 1 here-----

#### *Environment*

“The interaction between a buying and selling company cannot be analysed in isolation, but must be considered in a wider context” (IMP Group, 2002, 26). The outer level, in the original model called the environment, includes actors external to the relationship which are described in terms of market structure; market dynamism; market internationalization; the position of the focal relationship in the manufacturing channel; and the social system. The IMP tradition builds on the interaction model but has developed the model further by stating that there is no faceless environment, business organizations are embedded in network contexts. We acknowledge this but since we deal with the original model we decided to stay with the original concept, i.e. environment, although we hereby mean the network context. In the IMP tradition, except for the social system, the environment is viewed from a buyer/seller perspective focusing on the potential influence from competitors and potential partners on a company or an exchange relationship (IMP Group, 2002). Despite the vast potential influence on the focal relationship of other actors in the environment, such as institutions and the media (Hellgren *et al.*, 2002; Joutsenvirta and Vaara, 2009) and who can be a part in the network context, these actors are seldom included or discussed within the IMP tradition.

The IMP view of the environment of a company departs from classical distinctions between the company and its faceless environment, implying a definite border between these entities (cf. Miles, 1980). However, in spite of an early recognition of the potential agency of actors within the environment: “The environment is not completely given by external forces

but can be influenced and manipulated by the firm, and there will also exist external, known actors that are influencing some of the firm's internal functions" (Anderson *et al.*, 1994, 4), the role of the individual in general, and intra-organizational conflicts between individuals in particular, is usually neglected.

### *Atmosphere*

Relationships between actors such as an organization, a department, an informal group, or an individual, i.e. entities controlling resources and carrying out (Håkansson and Snehota, 1995), develop over time and can be understood as interaction processes where no relationship is the same (Ritter *et al.*, 2004). Through these interactions, adaptations (e.g. of behaviors) take place within the boundaries of the relationship. In other words, the relationship is shaped by the interactions between the parties as seen in figure 1 above, but also by the atmosphere between the parties which may be characterized by expectations and the degree of distance and dependency between the parties (see figure 1 above) (IMP Group, 1982). The model describes how recurring episodes of exchanges of products, services and information as well as financial and social exchange take place. Over time, this leads to adaptations and behavioral institutionalization, which in the long term perspective form the relationship. These interaction processes are affected by, and affect, the atmosphere between the actors. The atmosphere is related to the focal dyad and is a result of both the individual episodes that have taken place within the focal relationship and the institutionalization that may have developed over time. It includes the power/dependence status of the relationship; its degree of cooperation and closeness; its degree of conflicts; and the parties' expectations.

The degree of formalization of the relationship between the parties varies and it "[...] is increasingly being recognized that because of the bounded rationality of the human brain, the future is unknown and evolving a foolproof, legally enforceable governance structure is hardly possible." (Håkansson and Snehota, 1995, 113) This implies that what is more important than formal governance structures is that actors establish rules for accepted behavior within relationships. These rules of conduct and routines will be unique for each relationship since the parties will develop their own perceptions of what is legitimate behavior. Due to differences in experiences from other relationships, differences in expectations and perceptions of legitimate behavior can exist within the relationship implying that conflict and cooperation can co-exist (Håkansson and Sharma, 1996).

Existing norms, values, and regulations affect the frames of reference within which our reasoning on different issues takes place (Suddaby and Greenwood, 2005). It is within these frames of accepted behaviors that actors "[...] encode the criteria of legitimacy by which role identities, strategic behaviors, organizational forms, and relationships between organizations are constructed and sustained." (Suddaby and Greenwood, 2005, 38) What is considered to be a proper behavior is context specific and may, hence, differ between actors and relationships and also on an aggregate level between countries and cultures (Aldrich, 2000). We must not forget, however, that it may also differ between different individuals within an organization.

### *Actors*

"It is individuals who endow business networks with life." (Håkansson and Snehota, 1995, 192) This quote acknowledges that interactions between companies will be affected by the individuals' intentions and interpretations as they form the backbone of their respective companies. This means that individuals will bring their own experiences, role expectations as well as their functions and authority in the organization into the dyadic relationship of two companies. Individuals within a company will have different motivations which together with

previous experiences, roles and expectations will affect how they act and react, which in turn can affect the exchange episodes through which relationships evolve (IMP Group, 2002). However, although individuals in this way are acknowledged as actors within IMP research, the following quote is symptomatic for the research in the IMP tradition: “We will use the concept of actors with respect to companies because they are perceived to have an identity and thus ascribed purposeful action. While treating companies as actors, it has to be kept in mind that they act through individuals.” (Håkansson and Snehota, 1995, 193) Hence, individuals are recognized as actors but the analytical level still remains on the company level. This paper therefore wants to awake and stress the basic assumption underlying the network approach by illuminating that individuals are actors in themselves and that their expectations and interpretations of behaviours will affect relationship development processes. Furthermore, since organizations consist of individuals and their interpretations of the interaction episodes form the relationship development process, it can also be argued that deviating perceptions and goals inside a company can function as a barrier in a relationship development process. Håkansson and Snehota (1995, 196) argue that “Companies will be treated as actors not because of them having some unitary goal that makes monolithic the behaviour of the various individuals belonging to the company but mainly on the ground that in business relationships companies are attributed identities by those they interact with.” If that is the case, what happens if there are multiple identities of a company that are conflicting and counterproductive in a relationship development process?

The following case study presentation illustrates the process when the UK-South African based insurance company Old Mutual acquired the Swedish insurance company Skandia. This acquisition attempt met with resistance from part of the Skandia board and turned into a hostile take-over bid which led to a legitimacy contest fought in and by the media. The case is therefore an example of an instance where a relationship development attempt met with both support and resistance among individuals within the intended partner as well as among external actors. Among several external actors which took an interest in the relationship development process, media played an important role in discussing and framing the plans and actions as events unfolded. This relationship development process instigated a number of conflicts involving many internal and external actors, as well as interests and interactions across country borders, and thereby also many different perceptions of ‘reality’ (Risberg, 1998). We used a media-based approach in order to capture the process.

## METHOD

Within discourse analysis media articles are often used to analyze how frames of references (Vaara and Monin, 2010), i.e. discourses which people may use in order to interpret and make sense of ambiguous and complex issues, are constructed. Media is furthermore often analyzed within organizational research where it is seen as a sense-maker as well as a sense-giver (Hellgren *et al.*, 2002; Joutsenvirta and Vaara, 2009). Although the role of media has been analyzed elsewhere, its role in relationship development processes is seldom seen within IMP research (cf. Gebert Persson *et al.*, 2011). Since the network approach acknowledges that exchange episodes are affected by individuals’ perceptions of reality and their expectations on interactions, the frames of reference are consequently highly relevant in interpreting relationship development processes. This implies that media could be approached by different individuals seeking channels to effectively present their arguments to a wider audience in order to back up or reject an invitation to enter a closer relationship. An important advantage

of using media reports is that it also in retrospect allows for “real-time” information of how the process unfolded over time.

There are however different kinds of newspapers and journalism (Kjær and Slaatta, 2007) and this conflict was reported on in numerous publications. To reduce the immense amount of material it was therefore decided to isolate the data collection to the business press. This paper therefore uses a case illustration based on materials collected exclusively from newspaper articles published by two prominent business journals, one in Sweden (Dagens Industri; DI) and one in the UK (Financial Times, FT).

We used the electronic archive of DI which includes all its publications: press releases, statements, and interviews with both proponents and opponents. Initially, we collected all articles in DI containing the words Skandia and Old Mutual during 2005-05-01--2006-03-31, i.e. from the first rumors of a bid to the final settlement. We then read the articles and carefully selected the ones that dealt with the takeover or the parties involved. This resulted in 210 articles. In addition, we used Factiva, a database for international newspapers and journals. Using the key words “Skandia” and “Old Mutual” within the same time frame, we ended up with 62 articles in FT during the same time period. After the data gathering the articles were printed and read through independently by the authors in search for views, opinions and actions. We also identified the sources that were explicitly mentioned in the text – at times the reporter just mentioned having been approached by “insiders”. The case is presented in the form of a chronological narrative. A more extensive description of the case can be found in Gebert Persson et al. (Forthcoming).

## A CASE ILLUSTRATION

The case is about the relationship development process between the South African/UK-based insurance company Old Mutual and the Swedish insurance company Skandia in 2005-2006. Both companies are multinationals and have a long history infused with traditional values. The case description is mainly based on two media sources: Dagens Industri (DI), the leading Swedish daily newspaper focusing on business and finance issues, and the London edition of the Financial Times (FT) - an equivalent to DI and a leading international newspaper.

In May 2005, there were rumours that Old Mutual was planning for a bid on Skandia. Skandia’s CEO and the majority of the board were negative towards the bid and by August 29 Skandia publicly announced that they were against it. There was, however, no unity in the board. The chairman Bernt Magnusson, and two other board members, Björn Björnsson and Christer Gardell, favoured the bid, but the remaining eight were against it. Moreover, there was not only a disagreement on the board; this was also the case among the Swedish stakeholders. For instance, the shareholders Cevian Capital and Burdarás (two investment companies) as well as the First and Second AP fund (two Swedish national buffer funds for pensions) proclaimed that they were positive towards the bid whereas The Swedish Shareholders’ Association, Aktiespararna, said that they could not see how the acquisition would benefit Skandia in the long-run.

The proponents in Skandia were seldom heard in DI but in late August a representative of Cevian Capital was quoted in DI arguing: “*A deal with Old Mutual would be good. [...] They have stable market positions and fantastic cash flows. These cash flows could be used to accelerate Skandia’s growth strategy.*” In contrast, DI’s own negative view, presented on the

same date, was that: *“The future of Skandia should by now engage all who care about the future development of Swedish industry.”* In other words, they called for action against the suggested relationship development.

On September 23, the relationship development process turned into a hostile take-over attempt as the Skandia board officially announced that they would not recommend the shareholders to take the offer. Shortly after, the chairman, Bernt Magnusson, resigned from Skandia’s board. This development was frequently commented upon in Swedish media. For instance the managing director of one of the Swedish national buffer funds (a Skandia shareholder) was quoted in DI arguing: *“Old Mutual should realize that it is time to pull out. The bid is too low and it is hostile. Even Old Mutual’s shareholders should realize that this is not how to do it when buying a service company.”* The journal supported the resistance by providing financial arguments: *“The company has not yet had the chance to live up to its full potential”* but also by drawing on nationalistic discourses:

*Many have probably already forgotten the battle for ownership in the early 1990s between the former SE-Banken [a Swedish bank] and the Skandia management. That fight then surged ahead with Norwegians and Danes but the bastions held. No one could touch the Skandia bastion. We cannot defend old shattered bastions but must draw new battle lines to defend the ownership that all successful regions must have.*

Thomas Östros, Finance minister of the Swedish government at the time, carefully commented in DI: *“I hope the owners’ decision is not driven by short-term profit, without considering the long-term effects.”* More than a dozen presidents of listed Swedish companies, who wished to stay anonymous, formed what they called “a guerrilla movement” acting against a potential relocation abroad of Sweden’s oldest listed company. Quoted in DI, they argued: *”it is time to safeguard the Swedish key strategic assets. A broker was quoted in DI commenting that: “It looks like the companies are now in discussions through the media. There seems to have been a burn up in their relationship.”* “That emotions ran high in Sweden was noted in the FT: *“Since the bid became official, Swedish media have published daily outpourings of sentiment against the proposed takeover, questioning whether the company could be managed better by outsiders.”*

As time went by, however, more and more shareholders accepted the deal, the resisting board members left the Skandia board, and by 2006 the takeover was a fact.

## CASE ANALYSIS - A REVISED INTERACTION MODEL

The presented case illustrates that in a relationship development process between two companies, there may be divergent views and opposing goals among individuals within the companies in question in relation to a certain outcome, which affects the atmosphere in which the dyad is embedded. The original interaction model acknowledges the importance of intra-organizational aspects such as individuals within organizations by incorporating personal aspects on the individual level in the description of the company. However, the personal aspects under consideration concern aims and experiences, not views, opinions and individuals’ actions on the basis of such personal opinions. In contrast, the case presented in this paper illustrates the importance of individual views and the resulting actions as diverging intra-organizational views in Skandia threatened the relationship development process



initiated by Old Mutual. It also shows how the atmosphere of the dyad is affected by the discrepancies in perceptions of the relationship. The atmosphere even becomes hostile, at least from a media perspective.

The relationship development process is illustrated in figure 2 below. It shows that individuals in the two companies actually acted as three different actors since Skandia was divided into two fractions; one pro-Old Mutual's offer and one against the deal. This in turn created different constellations of interest groups spanning corporate borders to promote what they perceived to be the best approach to the proposed acquisition. The question thus arises if we run a risk if we treat a company as having one, unified identity in the interactions as argued within the network approach? If we still do so, is there not a risk that we fail to consider internal struggles that can affect the relationship development process? We argue that the answer to both the above questions is yes, not the least since the case clearly illustrates how different constellations of individuals within a company may aim at affecting a relationship in different directions.

----- Insert Figure 2 here -----

In the original interaction model the environment is included as a factor impacting on the focal relationship between two companies (IMP Group, 1982). The impact is however indicated as fairly general and originating from market conditions. In contrast, in the case, proactive actions intended to affect the relationship development are undertaken by actors within Skandia as well as by various actors in the environment. Several external actors engaged in the process, both as company/organization representatives (e.g. Aktiespararna) and as individuals - both separately (mainly in the role of "experts" commenting upon the situation) and as groups of individuals (e.g. the "CEO mafia group"). They individuals involved made different interpretations of the actions that unfolded which in turn resulted in various actions on their behalf.

The media, being an actor in the environment in itself, not only mediated views and information. The newspapers under study, in particular DI, also took an active role by proactively contacting both intra-organizational actors from the focal dyad and external actors (e.g. "experts" and politicians), inviting them to comment upon the process and thereby offering them an opportunity to make their views more public and more able to affect the process and its outcomes. The journals' own stands and arguments might also have had an effect on the relationship development process and in the case of DI it was certainly intended to as DI during the main part of the relationship development process took an outspoken stand against the takeover and firmly voiced this opinion. This proactive behaviour of external actors is not explicit in the original interaction model.

The case finally illustrates that the proactive actions aiming at affecting the relationship development process that were initiated by internal actors often were directed towards external actors in the environment. External actors were approached, quoted and called upon in order to mobilize further support for their views and thereby increase the resources that could be used for affecting the outcome of the relationship development process. The most visible actions were when actors approached the media as these often resulted in quotes in articles in which they were able to argue for their stand. In this way they were actively trying to use parts of the environment (the media) for influencing other parts of the environment

(shareholders, the general public, politicians, etc) as well as the companies and individuals involved in the focal relationship. The intra-organizational actors approached the media both directly and indirectly through external actors who were mobilized in support of a particular stand.

The dynamic, two-way interaction between organizations acting as a unit and actors in the environment is continually taking place, for instance in search of resources of various kinds, and has repeatedly been focused on in previous research. However, at times there are individuals within an organization acting on behalf of only a part of that organization who interact with the environment and the importance of these actions for relationship development is perhaps most clearly visible when conflicting motives and goals are at hand. Under such circumstances, media reports may be a valuable and ample source of information. For a researcher analyzing such a process in retrospect the development can be observed in “real-time” as the interpretations, views and actions of representatives of the companies in question as well as other actors, external to the relationship, are likely to frequently be reported on in the media.

## CONTRIBUTION

The purpose of this paper is to contribute to research on relationship development processes by illuminating how actors internal to the dyad in question, may try to affect the outcome of such processes on the basis of conflicting interests and how this in turn also affects the relationship atmosphere. The network embeddedness of the conflict also becomes visible as actors external to the dyad are activated to affect the outcome. Consequently, also these external actors become parts of the conflict and take action. We argue that many studies of relationship development processes have overlooked an important dimension, namely the potential impact of intra-organizational conflicts within the companies in question and the potential ensuing actions that might be undertaken both in support of, and against, the intended relationship development. In such actions, support from both intra-organizational and relationship-external individuals is often sought for which might be reflected in media reports. The case presented in this paper illustrates how consideration of intra-organizational factors may contribute to our understanding of factors influencing relationship development processes. We therefore believe that future research on relationship development would benefit from including also intra-organizational aspects in the analysis.

The case has furthermore shown that during times of conflicts, media coverage is a way of reaching a wider audience and thereby with greater impact affect the outcome of a relationship development processes. We therefore suggest that discourse analysis, of for instance media texts, may contribute to a better understanding of how conflicts between, and the resulting actions of, individuals may affect companies' relationship development processes.

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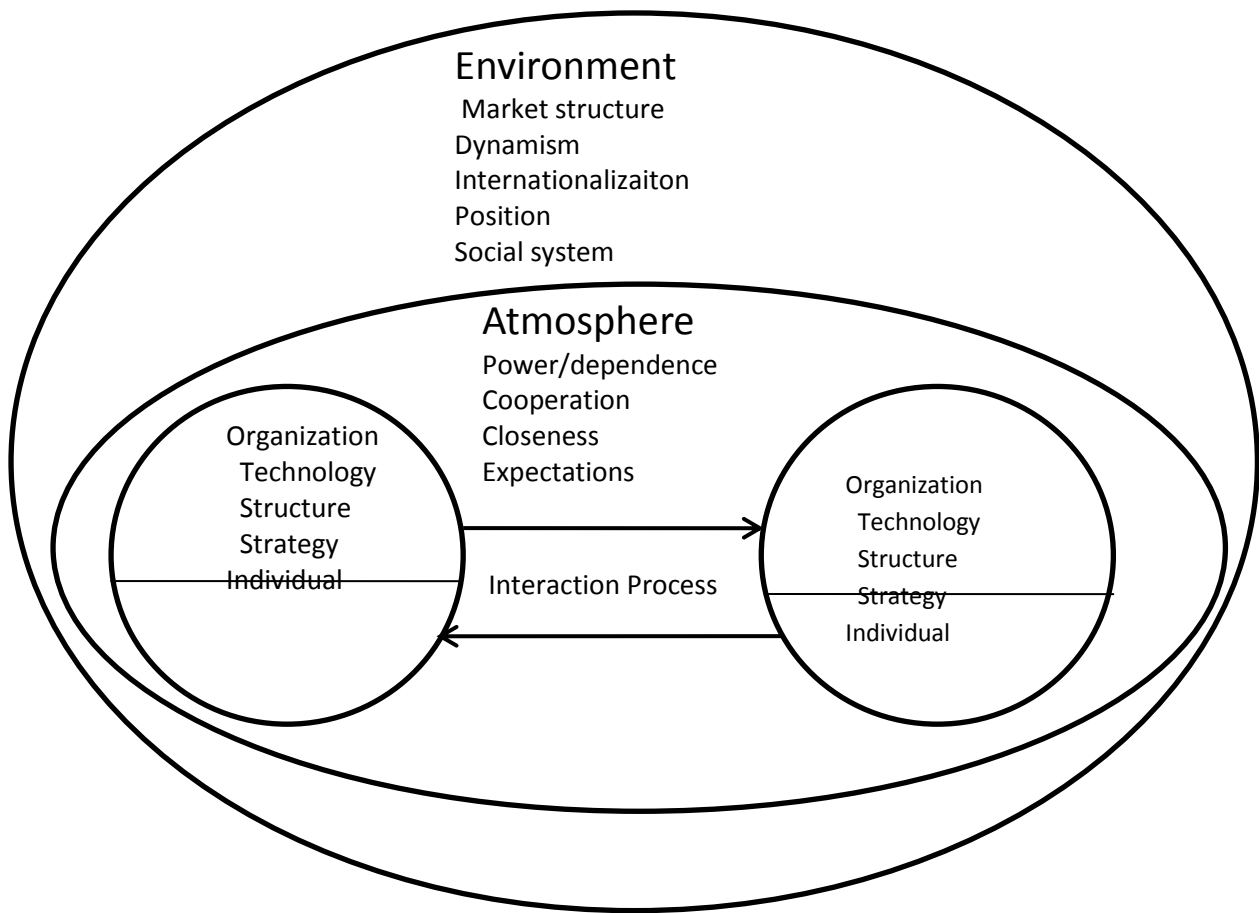


Figure 1. Interaction model

Source: IMP Group 2002, p. 29

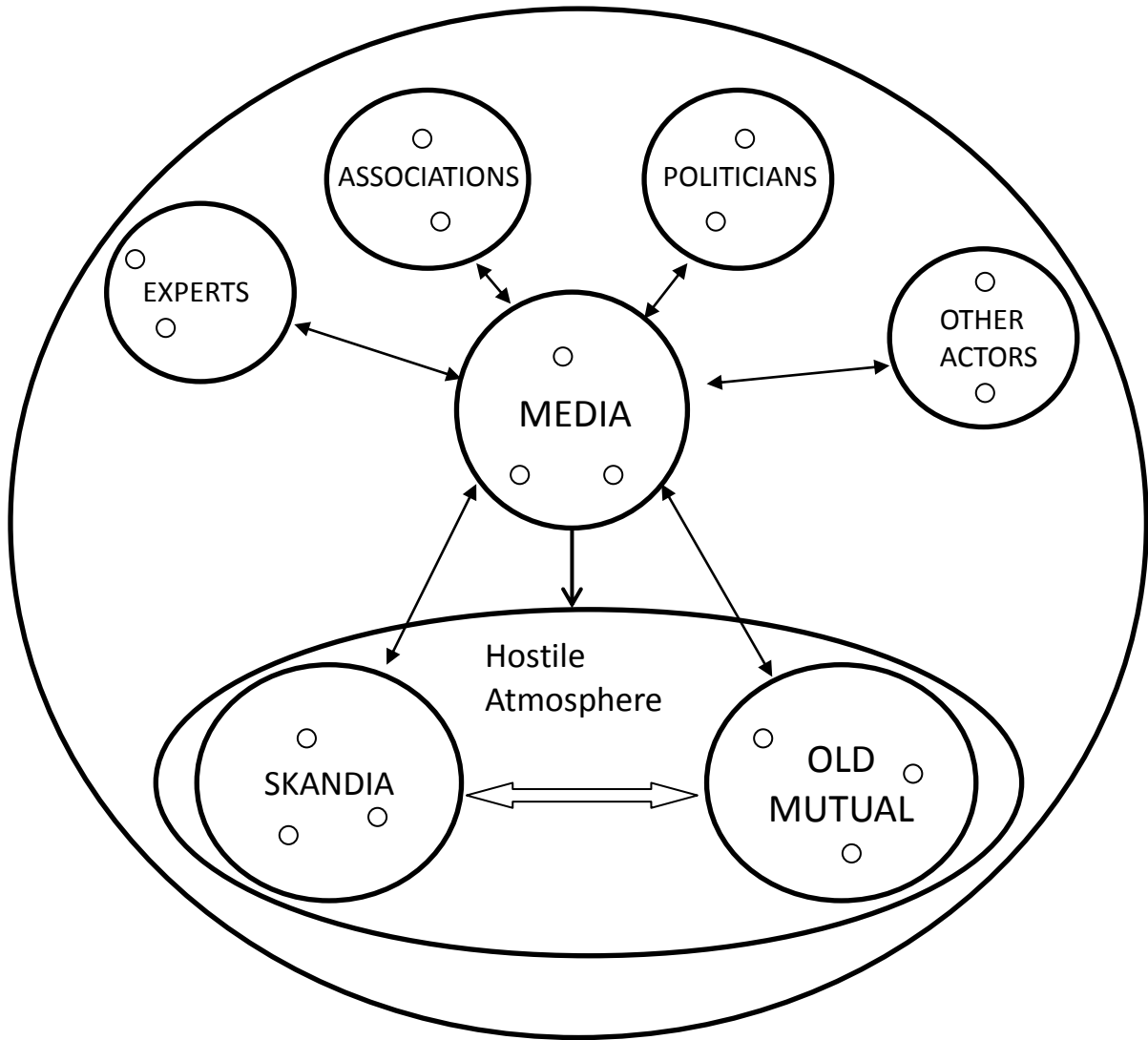


Figure 2. Influencers on the relationship between Skandia and Old Mutual. The smaller dots represent the individuals within organizations.

