Knowledge accumulation through relationship re-activation?

-presentation of a new research project

Introduction

Knowledge accumulation is often stated to be a determining factor in business development and prosperity (Håkansson et al., 1999; Levitt & March, 1988; Nonaka, 1991). The importance of learning and knowledge accumulation is also stated to have increased over time. Many even argue that we as a society have moved from a production oriented era to a new "knowledge era" (Gibbons et al., 1994). A question of managerial relevance is therefore how skilled a certain business is in accumulating knowledge through time and in business activities.

One way of studying this is to find a situation in which knowledge accumulation is tricky. In firms where the production activities are organised as inter-organisational projects this situation is obvious. In order for knowledge to be accumulated what has been learnt in on project needs to be passed through to future projects or to other business situations that the actors take part in. A project is designed as a "problem solving task" with a specific purpose, and the start and end of the project is clearly stated, which means that the relationships that were active in the project are designed to end at a specific time. From a knowledge accumulation standpoint it can be argued, however, that there are good reasons to re-activate these relationships in new projects, especially if the new projects are similar to the old ones concerning the tasks carried out or the knowledge required. Earlier research has shown that the possibilities for, and ease in, re-activation is at least partly determined by the conditions in the relationship aftermath stage.

The purpose of this paper is therefore to elaborate on knowledge accumulation through a study of the nature of the business relationship aftermath stage, as well as on the reactivation of business relationships. As stated above, we focus especially on business relationships that are designed to end at a specific time (i.e. relationships within projects), and ask why some of these relationships are re-activated again in new projects and why some are not, as well as the consequences of both situations on knowledge accumulation. The paper is at this point in time

more of a research project declaration and discussion, rather than the presentation of a study that has been finalised.

Theoretical Background

The theoretical background will address several bodies of literature in order to pinpoint the study area; networks of business relationships, relationship disengagement and aftermath, projects, and knowledge creation and accumulation.

Networks of Business Relationships

Most studies concerning business relationships have concentrated on the development and expansion stages of the relationship, and often show that business relationships are developed over a long period of time and long-lasting in nature (see e.g. Axelsson & Easton, 1992; Ford et al., 1998; Håkansson, 1982; Håkansson & Snehota, 1995, ; Håkansson et al. 2009). According to this perspective, firms are engaged in activities that are carried out across firm boundaries, activating resources not only within one firm, but at different places within the network. Rather than being regarded as isolated entities, firms are considered to be interdependent and bound together in a network (Håkansson & Snehota, 1989).

As a development of the view of business relationships as long-lasting and stable, Cova and Salle (2012) applied this view of relationships to also encompass projects in what the call *project-marketing*. The authors claim that one of the goals with project-marketing is "to contend with [the] economic discontinuity" of projects and recreate a "socio-economic continuity" through a network of relationships (Cova & Salle, 2012:394).

Thus, not all business relationships are long-lasting. Some have a planned end-date and some are deliberately terminated by one or both of the parties. Halinen and Tähtinen (2002) divide relationships in three categories; continuous, terminal and episodic. Continuous relationships do not have a planned end-date, and none of the parties plan to terminate the relationship. This is the case regarding the second category, the terminal relationships. Here the parties wish to end the relationship as soon as possible. Episodic relationships are established for a certain purpose and time. One example of episodic relationships would be relationships that start after a tendering process where the counterpart is selected based on certain predefined criteria. In these cases it is the contract signed by the parties that define the contents and length of the relationship (Camén et al., 2011). Thus, these types of relationships seem to be

those ones normally created within the frame of a project. The question is if there are some types of episodic relationships that survive the project ending and become reactivated in new episodes?

Relationship Disengagement and Aftermath

Even though networks of business relationships are developed over time and from one point of view can be considered stable, they are at the same time dynamic and constantly changing (Ford et al., 2006). Part of this change can be contributed to the end of certain relationships within the network. Previously a somewhat overlooked topic, the termination of business-to-business relationships is receiving increased attention within business studies (for a review see e.g. Havila & Tähtinen, 2010). During the last decade, several studies on relationship disengagement have been conducted (see e.g. Gedeon et al., 2009; Havila & Wilkinson, 2002; Tähtinen, 2001; Åkerlund, 2004). What these studies highlight is that even though trading has stopped, different types of bonds can still exist between the former business parties. In other terms, this means that the process of disengagement has not yet come to an end. Despite these (and other) studies, the area is still under-researched and there is a dearth of studies concerning the relationship "aftermath stage", i.e. what happens when trading has stopped in a business relationship, as well as concerning re-activation of previously ended relationships.

In the existing studies, a common view on relationship ending is to see it as a dissolution process, where the last stage is the aftermath stage. For example, Alajoutsijärvi et al. (2000) discuss dissolution quality during the different stages and point out that it is not only the uncoupling actors that perceive the outcome quality, but also other actors connected to those ending their relationship. Also Tidström and Åhman (2006) use the dissolution process view, and find that during the 'post-ending stage' (i.e. aftermath stage) the former business partners still continued to discuss with each other during annual meetings and trade fairs. Two studies that especially deal with the aftermath stage are Harrison (2004) and Havila and Wilkinson (2002). Harrison (2004) studies a situation when the business relationship was unilaterally terminated by one of the parties and how this led to a reaction from the other party who wanted to continue the relationship. Havila and Wilkinson (2002), in turn, study relationships that end due to external circumstances that weaken the logic of the relationship. What they show is that social bonds that are created during a business relationship may travel further with the people to other organizations. There is a need for more studies in this area, however, as we still know very little about the time after trading has stopped in a business relationship.

Although there are cases where both parties wish to end the relationship, there are others where at least one party still sees the benefit of maintaining the relationship. One reason for maintaining the relationship is that ending it would cause either direct or indirect costs (Halinen & Tähtinen, 2002). Acknowledging that not all relationships are worth maintaining, Tähtinen and Vaaland (2006:14) argue that there is an abundance of evidence that most business relationships are worth salvaging (see also Helm, 2004). Tähtinen and Vaaland arrive at five different reasons for why it can be worth saving a relationship. The *first* reason is that already made investments will otherwise be lost. These investments can vary from physical adaptations in products and production facilities, to more immaterial aspects of investments like trust, commitment, and knowledge (Tähtinen & Vaaland, 2006). The *second* reason to restore a relationship depends on the dissolution process costs, e.g. legal costs for handling the relationship ending, but also on potential costs for internal reorganization (ibid.). The *third* reason relates to potential sanctions for future business, which can be simplified as "bad Word-of-Mouth", or even the threat of economic sanctions; while the *fourth* reason consists of network limitations, i.e. lack of other potential partners (ibid.). Finally, the *fifth* reason to restore a relationship depends on the set-up costs for new relationships. It is quite possible that some of these reasons are valid when the relationship has an end-date, i.e. in the project setting.

Projects: Business Relationships with End-Dates

According to traditional project management literature, one of the most prominent features of projects is that they have specific start and end-dates. Therefore, they are "…a temporary endeavor undertaken to create a unique product or service, or result" (Project Management Institute, 2004: 5). This also implies that a project can be clearly defined and separated from "the whole". Lundin (1995) claims that a project is "the successful result of separating the realization of a task from its environment", while Løwendahl (1995) defines a project as "a specific finite task to be accomplished". This main feature, that projects are something specific that can be separated out, entails other special characteristics. Some of these are; a clear purpose, well-defined end-results, a life-cycle (including project start-up, growth, decline and termination), interdependencies between projects and between project and parent organization, and last, but not least, some elements that are unique (so that the project cannot be reduced to routines within the parent company) (Meredith & Mantel, 2000). Or, as Lundin & Söderholm (1995) put it, time, task, team and transition are important concepts. A temporary organization is limited in time, in the number of (clearly defined) tasks it encompasses, in the number of people taking part, and it

is often a means to achieving some sort of change in the organization (Lundin & Söderholm, 1995:438-439). In an analogous manner Packendorff (1995:320) defines a project as a unique, once-in-a-lifetime task, with a predetermined date of delivery, that is being subject to one or several performance goals (such as resource usage and quality), and consists of a number of complex and/or interdependent activities.

Packendorff (1995) also makes a clear distinction between the project as a tool and as a temporary organization. We would, however, like to take the discussion one step further. It is not enough to separate between projects and temporary organizations if we want to understand what makes relationships survive the end of a project in order to be reactivated in the next project. According to Packendorff (1995:328), if a project is seen as a temporary organization, there will be interactivity between expectations, action and learning, but all of this takes place *within the predefined project time*. Few authors discuss what takes place once the task is fulfilled, i.e. when the project is finished. An exception would be Hellgren and Stjernberg (1995), who discuss project networks as means to design and implement major investments. In their conceptual framework, a project network is defined as "(1) a set of relations, where no single actor may act as legitimate authority for the network as a whole, (2) where the network is open in the sense that there are no definite criteria by which the boundary of the network may be identified and controlled, and (3) where the network is temporally limited, dynamically changing and (partially) reconstructed from one project to the next" (Hellgren & Stjernberg, 1995:379). The authors' parenthesis, "partially", is what will be examined further in this paper: Projects are designed to end, and thus the business relationships that are created within the frame of the project should meet the same fate.

Knowledge Accumulation through Business Relationships and Projects

So far, we have presented the theoretical backdrop for the study, i.e. business relationships and business networks. Business relationships are claimed to be long-term, and through these relationships firms accumulate knowledge over time. The knowledge accumulated can be of various kinds, for instance; knowledge about the firm's own products or production processes, knowledge about the counterpart (and its products or production processes), or knowledge about the network. Håkansson et al. (1999:443) claim that firms can learn in two ways, either through their own experiences or through the experiences of others. Learning through others mostly takes place through long-term relationships where knowledge is transferred over time (Håkansson et al., 199:443).

In projects, however, as addressed above, the relationships are temporary and supposed to end when the project finishes. Kasvi et al. (2003) point out that even though new knowledge is created during a project, it is not always used efficiently afterwards. It has been stated that "The forgetfulness of projects is both a blessing and a curse" (Cacciatori et al., 2011:310). The positive aspects include the fact that "Many things are started anew for each project, liberating them from the 'shadow of the past' and facilitating adaptations to the specificities of changing clients, places and products" (Cacciatori et al., 2011:310). On the other hand, investments already made are underused if the knowledge created in one project is not accumulated to be used in the next project, so "there is much to gain from improving the transfer of knowledge across projects" (Cacciatori et al., 2011:310).

A lot of the literature on knowledge transfer from projects focuses on the transfer of knowledge from the project to the permanent organization. Bakker et al. (2011:494) state that "Project-based learning is generally referred to as encompassing 1) the creation and acquisition of knowledge within project ventures, and 2) the codification and transfer of this knowledge to an enduring environment". These authors also discuss what they refer to as the "learning paradox"; that projects are excellent ventures for creating knowledge, but that the temporary project setting is less suited for accumulating knowledge (Bakker et al., 2011:494).

As mentioned earlier, projects are designed to end, and, therefore, so are the relationships between firms taking part in the project. Thus, the temporary organization with its connections to its environment (i.e. the business relationships) can be assumed to end when the project is ended. Despite this, we have found that there are business relationships that survive the project ending. One question that arises is; *what characterizes the business relationships that are reactivated after a project ending?* Another question that emerges is *what knowledge accumulation can be achieved through the business relationships which are reactivated after a project ending?* The combination of the network view on business relationships, including the relationship aftermath and reactivation literature, and literature on projects and knowledge development may provide us with some clues to an answer.

Empirical Background

One large Swedish retail chain is continuously expanding their businesses. We have earlier studied the construction of two of their retail stores in their largest store segment. The first project that was investigated by our research group was built in 1996 in Stockholm, and the second in 1997 in Uppsala. Beside the fact that it was the same customer ordering both commercial buildings, both constructions were also undertaken by the same building constructor and within the same region in Sweden. For both projects, similar lists of detailed equipments, concerning both function and appearance, were used even if there were some differences in size and in construction of foundation for the two buildings.

According to Dubois & Gadde (2000), a difference between the construction industry and many other industries is that the construction industry still relies on standardized parts rather than standardized activities. The absence of customized products calls for considerable adjustments at the individual construction site in order to adapt to the requirements of the specific building, which in its turn emphasizes the need for a decentralized structure, focusing on individual projects. The primary driver of efficiency in the structure is "a strong adherence to competitive tendering" which, to complete the cycle, leads to fewer product adaptations (*ibid*.).

The main focus is on the building constructor's relations to its material suppliers and sub-contractors. In *Project Stockholm* the building constructor engaged 16 material suppliers and 27 sub-contractors for the project, all in all 43 different companies. Looking at the supplier and sub-contractor relationships we found that totally 81 material suppliers or sub-contractors we involved in the two projects. Of these 43 companies, 10 (5 suppliers and 5 sub-contractors) were the same in the two projects. The time between the ending date for the first project (*Project Stockholm*) and the start date for the second project (*Project Uppsala*) was about one year, thus making it possible to study the aftermath stage for the ten relationships that were re-activated for the second project.

In *Project Stockholm*, data was collected in two different ways: (1) through open-ended personal interviews with people involved from the building constructor side and, (2) through structured personal interviews with the suppliers and sub-contractors involved. The eight open-ended interviews, which were conducted first, involved people that were active during the different phases of the construction project. An interview was also conducted with the architect. The purpose of this procedure was to gain an overall picture of the construction project and identify

the involved suppliers and sub-contractors. In the structured personal interviews, which were conducted with the 30 most important suppliers and sub-contractors, we used a partly standardized questionnaire covering both the content of the interaction process during the project and earlier experiences. The questionnaire included questions regarding important characteristics of the supplier/sub-contractor and questions concerning connected relationships.

In *Project Uppsala*, the building constructor engaged in total 38 material suppliers and sub-contractors. Here personal open-ended interviews were conducted with two people directly involved in the construction project; the production manager and a person dealing with purchasing matters. The purpose of the interviews was to compare the two construction projects regarding the suppliers and sub-contractors involved.

Both the two building projects we have studied here involved many different type of companies. First, the company that ordered the buildings was the same in both projects. This was also the case regarding the building constructor. However, as the buildings are located in different cities and the building constructor has separate parts of its organization that are responsible for these cities, it was different individuals who were involved in the project from the building constructor's side. The building constructor engaged totally 43 different companies for the *Project Stockholm* and 38 companies for the *Project Uppsala*. Of these companies, ten were the same in both projects (five sub-contractors and five material suppliers). In both cases, the building constructor used a tendering procedure, and one way to explain the re-activation of the business relationships would be to say that the companies were able to offer a lower price than their competitors. In each case there are several possible alternative suppliers. But is the lowest price the only reason for the re-activation?

When we looked at the products supplied by the five material suppliers, we saw that they are standard products, and that no product adaptations or specific investments were made vis-à-vis the building constructor during the projects. In four of the supplier relationships a contract existed between the building and the material suppliers and in the fifth relationship the parties had done business with each other since 1988. This means that even though the product as such is standard, it becomes a specific product vis-à-vis other products, as it is always included. A similar situation was found among the five sub-contractors, where all had done business with the building constructor before the two projects that have been investigated in this study. One difference is that the sub-contractors deliver a unique product in the meaning that their product is made according to the building constructor's requirements. In three of the

cases it was the owner of the commercial building who wanted to have a specific product, delivered by a certain sub-contractor.

What we can see from the projects we have studied is that some business relationships with a clear end-date can at times survive the end of a project. One would expect the relationships characterized by network dependencies to be activated also in coming projects. This would then imply that they are long-term business relationship although they have an end-date in each building project. Thus, the industry characteristic of short-term projects-based market-transaction seems to co-exist with more long-term relationships that last between projects and network dependencies. The new step in this research will be to find out more about lasting relationships in this setting, and to relate these findings to the aspect of knowledge accumulation.

Study Design

Through the customer of the commercial buildings we have now, sixteen years later, been granted access to all their construction projects for new commercial buildings of the same type as project Stockholm and project Uppsala that have been made in Sweden during the last ten years. This amounts to 28 construction projects. We are looking for lasting relationships (and their effect of knowledge accumulation) and since the Swedish construction industry is local and decentralised in character (Dubois & Gadde, 2000), we are considering to focus on the projects that have been constructed in the middle region of Sweden, which leaves us with about half the project number.

From the first interviews with the customer we know that three different building constructors have been used in total. The three of them have been used to a rather equal amount. This implies that we through three firms will be able to detect all involved suppliers for all the projects in order to determine how many of them and which ones that have been engaged in more than one project. After this “mapping stage”, we plan to conduct interviews at the customer, at the constructor and among the suppliers that have been re-engaged in order to find out if and how knowledge of, for example, how to construct the buildings technically, of how to interact with the other parties, as well as of how to make efficient use of one another within the project structure have been accumulated through the process.

This has been a first attempt to put on paper the frame of references both theoretically and empirically for a new research project that we plan to be conducted in the near future. The aim of it is, as has been described above, to elaborate on knowledge accumulation through a study of the nature of the business relationship aftermath stage, as well as on the reactivation of business relationships. We have chosen to focus especially on business relationships that are designed to end at a specific time (i.e. relationships within projects) and base our new study as the continuation or re-activation of an old research project conducted more than fifteen years ago. We hope that the study will help us to learn more about why some relationships are re-activated again in new projects and why some are not, as well as the consequences of both situations on knowledge accumulation.

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