Sensemaking in networks:  
Using network pictures to understand network change

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Abstract

The purpose of this thesis is to examine how business actors adapt to changes in networks by analysing their perceptions or their network pictures. The study is exploratory or iterative in the sense that research question, methodology, theory and context are revised as an integral part of the research process.

Although considerable research exists on explaining business network structures in different research traditions, changes within networks are less well researched. This thesis analyses changes in networks in terms of the industrial network approach. This approach sees networks as connected relationships between actors, where interdependent companies interact based on their sensemaking of their relevant network environment. The thesis develops a concept of network change as well as an operationalisation for comparing perceptions of change, where a template model of dottograms is introduced to systematically analyse differences in perceptions. The model is then applied to analyse findings from a case study of Norwegian/Japanese seafood distribution, and the thesis provides a rich description of a complex system facing considerable pressure to change. In-depth personal interviews and cognitive mapping techniques are the main research tools applied, in addition to tracer studies and personal observation.

The dottogram method represents a valuable contribution to case study research as it enables systematic within-case and cross-case analyses. A further theoretical contribution of the study is that it suggests that network change is about actors seeking to change their network position in order to get access to resources. Thereby, the study also implies a close relationship between the concepts network position and network change which has not been discussed within the network approach in great detail.

Another main contribution is the analysis of the role which network pictures play in actors’ efforts to change their network position. The study develops seven propositions in an attempt to describe the role of network pictures in network change. So far network pictures have mainly been discussed as a theoretical concept. Finally, important implications for management practice are presented.
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“The present is the future of the past”
Karl Popper (1945)
Chapter 1: Introduction

1.1 Preface
On 6th September 1522, a ship sailed into the Seville harbour. It was the “Victoria”, the only remaining ship from Fernando Magellan’s proud fleet of five galleons that embarked three years earlier on a voyage to find a new route to the Spice Islands, today known as Indonesia, the Philippines and Malaysia (Bergreen, 2003). At the time spice was a priceless commodity in Europe, even more valuable than gold. The trade was controlled by Arab merchants using the old spice routes over-land from East to West. A rigid distribution structure involving an indefinite number of middle-men represented a heavy mark-up on an already highly priced commodity. European buyers had for a long time wanted to find new ways to approach the spice manufacturers, believing that if they were able to trade directly with the producers they could cut costs, thus creating higher revenues for themselves. Former voyages by Columbus, Vasco da Gama, Diaz and Balboa were all based on this idea. Protecting a profitable trade, the Arab merchants warned the Europeans against trading directly with the Spice Islands: They would be much better off using the Arab merchants’ knowledge because the distribution structures were too elaborate for the Europeans to understand. If they dared finding their way by sea, the Arabs warned, monsters would wait for them behind the horizon, and because the earth was flat they would simply drop off the edge. However, stories about a western passage to the Spice Island had rumored in Europe ever since Greek and Roman times. Magellan was so certain about the accuracy of these stories that he set sail westwards. He found a passage to the Pacific Ocean at the tip of South America, and he reached the Spice Islands. Magellan died on the way, but one of his ships managed to continue the journey back to Europe. Being the first ship to circumnavigate the globe, it changed the history of the world forever.

1.2 Framing of the thesis
This thesis aims to analyse the development of buyer-seller relationships in networks. It uses the industrial network approach where networks are seen as interconnected relationships as a theoretical and methodological framework. More specifically, it investigates how networks change over time. To understand how networks change, it looks at change from the perspective of how the actors describe and explain change, and how
they adapt to change. Actor perceptions of change are investigated in terms of actors “network pictures”, i.e. how actors make sense of what is happening around them.

Magellan’s story illustrates that people have always wanted to change the way a distribution structure or a network operates. At the same time there are those who resist such changes. It also highlights the role perception plays in change processes: It was Magellan’s interpretation of the information available at the time, and his perception of what a possible new route to the Spice Islands could look like, which prompted his decision to embark on the journey. At the same time, there were forces restricting change using fear of the unknown to protect already established trade patterns.

It is this interplay between current and new network structures, and the conflicting perceptions of how these structures should be managed, which is the focus of this thesis.

1.3 Empirical context: Norwegian salmon in Japan

The empirical setting for the study is the business relationships between Norwegian suppliers of fresh salmon and their Japanese customers, and how these relationships are maintained and developed as part of a wider Japanese seafood distribution network.

Japan is interesting to investigate in terms of its historical importance as a major market for Norwegian seafood. According to Statistics Norway (Statistics Norway, 2006), Japan is Norway’s 8th largest export market, and the largest Norwegian export market in Asia. Norwegian seafood represents the majority of Norwegian exports to Japan, totalling 4.7 billion NOK out of 8.4 billion NOK in 2000. Japan is the second largest export market for Norwegian seafood, surpassed only by exports to Denmark. There are currently 308 Norwegian seafood producers listed as exporters to Japan by Norwegian Seafood Export Council (Norwegian Seafood Export Council, 2006). Norwegian export relationships go a long way back, and in 2005 Japan and Norway celebrated 100 years of diplomatic ties. Several Norwegian producers enjoy relationships dating 20 years back in time (Økonomisk Rapport, 2005)

Japan is also interesting from the fact that is has been considered as a difficult market to penetrate. Particularly, the Japanese distribution system has been seen as a great barrier to entry. Traditionally, Japanese distribution is characterised by “locked-up” relationships
between channel members in terms of vertical integration based on ownership (called *keiretsus*) and long-established relationships where duties, trust and obligations are important factors (Min, 1995) This system has been described as confusing and complex with labyrinthine distribution structures and practices (Shimaguchi and Lazer, 1979) and inefficient and archaic practices (Lazer et al., 1995; Rajaratnam and McKinney, 1995). In recent years this system has been challenged by new and more efficient distribution structures where direct contact between exporters and retailers seems to be a characteristic, bypassing traditional distribution structures (Bestor, 2004).

1.4 Theoretical context: Industrial networks, change and network pictures

Applying the network perspective when studying these long-established relationships, and analysing how Norwegian suppliers and Japanese customers deal with them, represents a contribution to our understanding of how business networks develop. Moreover, an investigation into how companies choose to deal with the current changes in distribution is of particular interest. Change in networks has received increasing attention by academics, but there still seems to be much knowledge to be gained in terms of how actors adapt to changes.

The way in which companies choose to deal with changes must be seen in relation to how they understand and explain change. Thus, the relationship between perception and action is gaining attention in the network literature. Particularly, the concept of *network pictures* has been suggested as one way of analysing how actors make sense of their relationships and their wider network (Ford et al., 2002; Ford et al., 2006; Henneberg et al., 2006a; Mouzas et al., 2008). This concept may prove useful in understanding how actors make sense of network changes, and such an analysis has not yet been attempted.

1.5 Methodological context: Iterative research design

In designing this study, an iterative or explorative research strategy has been applied (The chapter on methodology, Chapter 3, describes the rationale behind this decision in greater detail). Iterative or explorative research design is a well-established research tradition (Collis and Hussey, 2003; Robson, 2002; Saunders et al., 2003). It captures the essence of research as research is an ongoing process, continuously asking questions and probing for new insight. These elements are very much in line with Robson (2002) who suggests the following framework for research design (fig. 1.1):
This model suggests some directionality; theory and purpose help in specifying research questions, which will influence the methods used and data sampling strategy. In hypothetic-deductive studies, this process is normally sequential. In qualitative studies, however, Robson argues that the five aspects are continuously revisited throughout the study. This perspective is highly relevant to the present study.

It also bears resemblance to the process of *reflexivity*. Reflexivity is important because it is a way to ensure research quality (Alvesson et al., 2008; Brannick and Coghlan, 2006; Johnson and Duberley, 2003; Weick, 1999). Reflexivity means that a researcher should continuously reflect on how one interacts with the research objects, and how theory, method, and data are interpreted and revised throughout the study. This is also a characteristic of this study.

A similar strategy has been advocated by Dubois and Gadde (2002b) termed *systematic combining* (fig. 1.2) where “the research issues and the analytical framework are successively reoriented when they are confronted with the empirical world” (p. 554).
Systematic combining can be described as “a nonlinear, path-dependent process of combining efforts with the ultimate objective of matching theory and reality” (p. 556). Dubois and Gadde found that researchers tended to move back and forth from one type of research activity to another, and between empirical observations and theory. Thereby, researchers were able to expand both understanding of the theory, and the empirical phenomena investigated. Subsequently, they argue that theory cannot be understood without empirical observation, and vice versa. This argument is well catered for in iterative approaches to research design.

Another research design model is presented in fig. 1.3, highly relevant to the present study. Similar to Robson’s model it describes in a clearer way how the research activities or phases may be seen as ever-continuing loops to gain new knowledge. The model draws on Argyris’ (2005) work on double loop learning cycles in organisational learning and Eisenhardt’s (1989) work on case studies as an iterative research design process. The model formed an integral part of the Research Design course of the Doctoral Programme at Manchester Business School (see fig. 1.3 on next page):
1.6 Structure of thesis

Writing a PhD is as much telling a story as it is a scientific exercise. It is important to note that as this study is explorative, the research question has been put to the test and revised several times during the study, and new insight has been gained every time. The following overview (fig. 1.4) illustrates the how the iterative research design was applied. It draws on the presumptions behind all the models discussed in this introduction, but its main similarities are with the general model of research design presented in fig. 1.3:
Explain this process, this introductory chapter will now briefly describe the main methodological issues which became apparent during the course of study and what this implied for the research design.
From the literature review in the following Chapter 2 it is apparent that Japanese distribution is facing considerable changes at present. There are a number of theoretical approaches attempting to explain change in business relationships, and this study uses the industrial network approach to analyse them. Here companies adapt through interaction, and interaction in turn makes them interdependent. Interdependence is characterised in terms of how activities are linked together, how resources are utilised, and the strength of bonds between the actors (Håkansson and Snehota 1995). Change may be seen as transmitted through connected relationships.

Following the decision to use the industrial network approach to analyse network changes, the initial research question became “How do actors in business networks adapt to changes?” What is termed Model 1 was introduced as one way of explaining network change.

To answer this first research question, an initial study of five Norwegian salmon exporters and seven Japanese salmon importers was undertaken in 2006. This study is presented in Chapter 4. It confirmed that traditional fish distribution is being replaced by direct distribution, where large importers and retailers are bypassing layers at the traditional fish markets.

Perhaps the most interesting finding from this first study was that actor perceptions seem to play a role in network changes. This may indicate that it is the perception of change rather than the change itself which has effect on networks. As this interface is a key point of analysis, a revised research question was put forward: “What role do actor perceptions play in network changes?”

The relationship between perception and action has been noted in a number of academic studies (Halinen et al., 1999; Hertz, 1992; Håkansson, 1992; Håkansson and Snehota, 1995; Lundgren, 1992) but is still relatively unexplored. A further literature review of theoretical approaches to understand the interface between network changes and perception of changes was therefore undertaken, and this is presented in Chapter 5. This also meant that Model 1 needed to be amended to account for this new dimension. Subsequently, Model 2 and then Model 3 were introduced as attempts to describe this interface.
In an attempt to answer this question, a follow-up study was undertaken in 2007. Testing Model 3 on the new empirical findings, it became clear that this model could not explain all the dimensions that became evident from the new study. Finally, Model 4 was introduced as a new attempt to describe network changes, and was tested on a set of the data from the follow-up study. Using template analysis (King, 2004) it became possible to turn the interview transcripts into manageable data fit for analysis. This process is described in detail in Chapter 6.

The findings from the follow-up study are presented in Chapter 7 in terms of a rich intra-case analysis of five cases. The analysis is taken one step further in Chapter 8 where an inter-case analysis compares findings across the cases in an attempt to identify a pattern. Chapter 9 provides a discussion of contributions to theory, methodology and management practice. Finally, Chapter 10 features a reflective account of the research process.

Whereas this thesis is written in a more impersonal style, Chapter 10 is a personal account, using the personal pronoun to assess the study in retrospect. The reader may well read this account as a starting point, as it details the research process and the researcher’s learning throughout the study.
Here is a schematic structure of the thesis:

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Chapter 2: Literature Review

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<td>• Model 2 and Model 3 introduced and discussed</td>
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<td>Arriving at a conceptual model for analysing network change</td>
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2.1 Changes in the Japanese seafood distribution

Japanese distribution has historically been controlled by wholesalers. According to Min (1995), Japanese wholesalers have traditionally exerted control of distribution channels through “vertical integration, financial linkage and reciprocity dealings” (p. 23). It is not uncommon to find four levels of wholesalers such as trading companies (sogo soshas), primary wholesalers, secondary wholesalers and even tertiary wholesalers. In 1998, wholesale sales volumes in Japan was estimated to be 3.1 times total retail volume, while US wholesaler sales volume equaled retail volume (Min, 1995). Maruyama (2005) reports that 41.9% of Japanese wholesalers purchased their merchandise from other wholesalers, whereas only 24.8% percent of US trade originated from other wholesalers.

Distribution relationships in Japan are characterized by close personal relationships that emphasise long-term stability of short-term transactional advantage. Traditional distribution systems such as the fish market have often been criticised for its inefficiency: “Coming under much criticism are the many layers of wholesalers who stand between
producers and consumers. These tiers of enterprises include vast numbers of presumably inefficient small scale (often family-run) wholesale and retail outlets. By the same token, the apparently more efficient large scale specialty stores supermarkets, and department stores are relatively few” (Bestor, 2004, p. 35). Bestor has written perhaps the most comprehensive analysis of the central wholesale markets in Japan. He describes how both Japanese and foreigners view Japanese distribution channels as economically inefficient, barring entry of foreign goods into Japan. Other studies have come to similar conclusions: Japanese distribution system has been described as time-consuming, expensive, complex, confusing inefficient and archaic (Lazer et al., 1995; Rajaratnam and McKinney, 1995; Shimaguchi and Lazer, 1979).

There is to some extent competition between the auction houses, both with regard to attracting suppliers, and attracting intermediate wholesalers. Competition by undercutting commissions is illegal, but price rebates are allowed. Thus, a wholesaler may gain repeated business and build loyalty. Auction houses may also distinguish themselves by providing their suppliers and customers with reliable market information, accurate accounting and fast payment and so on. But these relationships are very much characterized by close personal ties; they are routinised and go a long way back. Very rarely does a supplier break off a relationship with its customers: “Suppliers also run the risk that if, at some time in the future, they want to resume business with the spurned auction house or need to find outlets for an oversupply of seafood, the firm may refuse to do business with them. Maintaining some level of connection, therefore, is a form of insurance against future needs” (Bestor, p. 189).

Further, vertical integration in the fish market is characterized by the appearance of keiretsus, which are “groups of companies organized into quite formal hierarchies based on interlocking stock ownership, exchange of information, exchanges of personnel, coordinating fiscal and marketing strategies, preferential trading practices among group members” (Bestor, 2004, p. 200). Keiretsus are criticized for acting as a barrier to entry of the Japanese market, stifle competition and squeeze out independent operations (Gerlach, 1992). Keiretsu affiliations affect the trade at Tsukiji, Tokyo’s wholesale fish market. For instance, Karatsu (one of the companies in the sample) is owned by the Okasha group. The Okasha group is a keiretsu of more than 200 companies involved in seafood production, processing, distribution and marketing. Similar connections may be found between other
companies in the sample. For instance, Tokyo Fisheries is a major fishery in Japan, and controls Tsukiji Uoichiba, a major wholesaler at Tsukiji. Outside Tsukiji, Hushituchi is a traditional trading house operating in a range of industries. GMC is owned by Neon, a large retail chain in Japan.

Bestor (2004) however points to the major factor justifying the fish market system: product variety. He argues that “despite the recent inroads made by supermarkets and chain stores, much of the trade within the market place continues to pass though the hands of relatively small-scale wholesalers who have much in common with their retailer customers.” (p. 37). “Both literally and figuratively they repack a large volume of relatively similar commodities into the smaller units and wider variety of foodstuffs restaurateurs and consumers can actually use. This system is called ‘bulking and breaking’. Downstream from the market place, customers do not demand large quantities for single commodities; they want a small range of varied products” (p. 182).

Bestor argues that markets like Tsukiji has it mission because “Tsukiji stands at the border between the large-scale corporations that supply and transport much of Japan’s seafood and the small-scale family-run firms that continue to dominate Tokyo’s retail trade in foodstuff “(p. 37).

According to Bestor (2004): ”the ultimate competitive arena for Tsukiji’s auction houses is between central wholesale markets, generally, and other channels of distribution that avoid or bypass the system” (p.199). He gives the following (Fig. 2.1) conceptualisation of the emergence of the direct distribution system in Japan:
Japanese retailing has traditionally been characterised by a large number of small-sized retailers. One explanation is Japanese consumer behaviour. Japanese consumers have traditionally disliked spending their time wandering around large supermarkets or superstores. They prefer visiting the local stores to get fresh produce in small quantities. Average spending is quite low. Buying food, Japanese consumers make four to five shopping trips per week. Other factors like low car ownership, small sized home fridges and freezers adds to this (Planet Retail, 2006). But the trend now is towards fewer, but larger retailers. The number of small-scale retailers is considerably reduced (Lohtia et al., 1999; Lohtia and Subramaniam, 2000)

Legislation has also put a limit on store size. The Large Scale Retail Store Law regulates the opening and expansion of large-scale retail stores with floor space exceeding 55 square meters. But in recent years this law has been eased, and the number of large-scale retailers have soared (Min, 1995).
The wholesaler dominance in distribution channels is also changing. Maruyama (2005) reports a number of figures all indicating the emergence of short-cutting distribution in Japan. These changes he attributes to changes in the retail structure (fewer and larger retailers), the introduction of information technology such as point of sales data management, and new distribution strategies such as supply chain management.

There are also changes on the manufacturing level.Traditionally Japan has been characterised by a low number of large manufacturers selling to a large number of small companies, exerting considerable control (Lohtia et al., 1999). But with appreciation of the Yen and wage increases in the early 1990s, the use of foreign suppliers became common. Competition among Japanese manufacturers has become more intense, reducing supplier power. Hence, the balance has shifted in favour of the retailers.

Lohtia et al. (1999) argue that retail power is increasing on expense of manufacturer and wholesaler power. This is by no means a new phenomenon; such changes have been evident in Europe and the USA for some years. This trend is now slowly spreading to Japan. But the question is how fast changes will occur due to the deeply rooted distribution systems evident in the seafood markets in Japan.

The retailers are clearly pushing the trend towards a more direct distribution of seafood. Bestor (2004) argues that the growth of out-of market channels is directly related to developments in transport and communication, particularly refrigerated trucks, and the expansion of supermarket chains, franchised restaurants and fast-food shops that require and consume a large quantity of standardised seafood products of medium quality. Nevertheless, a supermarket chain cannot develop its own supply channels for products available in small amounts. Hence, it is likely to rely on the fish market distribution system rather than its own distribution channels.

According to Planet Retail (2006) Japan’s retail sector is highly fragmented with the top five players holding a market share of less than 20% (see table 2.1).
Thus, Japanese distribution is experiencing considerable changes at present. Literature which represents theoretical frameworks to analyse these changes will now be discussed.

2.2 Theoretical approaches to change in distribution structures

There are a number of theoretical approaches to analysing change. Change is discussed in strategy literature (Pettigrew, 1992; Pettigrew, 1987; Porter, 1985) and in terms of organizational change or social change (Van De Ven and Poole, 1995). Change may also be studied in terms of innovation and industrial dynamics (Schumpeter, 1954). However, the focus of this study is change in networks. It therefore seems relevant to explore how change has been dealt with mainly in the industrial networks literature, but also from the field of marketing channels literature and supply chain management. These two approaches deal with similar issues as industrial networks research, but from a different theoretical viewpoint.

2.2.1 Marketing channel literature

In the marketing channel and supply chain management literature, changes are generally seen as exogenous. They appear as external “market forces”, and the channel has to respond to an ever-changing marketing environment and varying customer needs. For actors in the marketing channel, is important to derive at an optimal structure in terms of efficiency and costs. Actors in the channel have to constantly monitor efficiency in order to achieve the best possible combination of resources and activities. This quote from Quinn and Murray (2005, p. 4) serves as a typical example of the general focus of this research field: “Intermediaries used by producers is generally discussed in the context of a search for improved efficiency. Such discussions usually deal with the functions performed by

<table>
<thead>
<tr>
<th>Company</th>
<th>No. of stores</th>
<th>2005 sales (mill. USD)</th>
<th>Market share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AEON</td>
<td>8133</td>
<td>48.988</td>
<td>6.3</td>
</tr>
<tr>
<td>Seven &amp; I</td>
<td>12808</td>
<td>42.508</td>
<td>5.4</td>
</tr>
<tr>
<td>Uny</td>
<td>8103</td>
<td>20.094</td>
<td>2.6</td>
</tr>
<tr>
<td>Daiei</td>
<td>1845</td>
<td>15.805</td>
<td>2.0</td>
</tr>
<tr>
<td>Lawson</td>
<td>8366</td>
<td>13.175</td>
<td>1.7</td>
</tr>
<tr>
<td>Sub total</td>
<td>39255</td>
<td>140.570</td>
<td>18.0</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>640.403</td>
<td>82.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>780.973</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 2.1: Top 5 grocery retailers in Japan (Planet Retail, 2006)
channels and the flows that they handle, as well as basic structural features such as number of levels and criteria to be used in choosing and managing channels”.

2.2.1.1 Early approaches

Questioning the efficiency of the marketing channel is however not a recent issue. Converse (1957, p. 40) for instance reports that “during the 1910s and the 1920s the wholesaler was said to be losing his position of prominence in our distribution system. Manufacturers were bypassing him and selling to the retailers”. This very similar to the current discussion of indirect vs. direct distribution in Japan discussed in the beginning of this chapter.

Reviewing early research on marketing channels, Gripsrud et al. (2006) found that in the 1950s, there was not a clear distinction between marketing channel and business logistics. Market exchange is viewed in terms of its social aspects in exchange (traditional marketing) and physical aspects of change (logistics) (Bartels, 1988). This later becomes the established “division of labour” between the two disciplines.

2.2.1.2 1950–1970: neoclassical economics, functions and cost

In the 1950 – 1970s the dominant theory in marketing channel literature was neo-classical economics with focus on functions and costs, and efficiency as important governance decisions (Gripsrud et al., 2006). Influential in this period are the works of Alderson (1957) and Bucklin (Bucklin, 1965; 1966) and their postponement vs. speculation concepts. Building on Alderson’s “principle of postponement” Bucklin argues that channel structure efficiency is determined by the actor’s ability to postpone production to the best possible time to meet customers demands, i.e. produce on demand, thus shifting the risk to the buyer. Speculation on the other hand implies a shift of risk to the institution. This principle implies producing at the earliest possible time in order to reduce costs to the total marketing system. Speculation favours economies of scale, whereas postponement favours just-in-time deliveries.

Bucklin (1966) further argues that channel structure will be shaped by consumer demands and move toward a normative structure. Competition will create channel efficiency and this will be passed on to the consumers in terms of a drive for lowest overall costs. Overall cost is a mix between channel costs and consumer cost (e.g. convenience). This means that
the lowest price is not necessarily the solution for the customer if this means increased personal costs of acquiring the goods. Costs are created by various marketing activities or “functions” in Bucklin’s terms. According to Mallen (1977), a central part of Bucklin’s theory holds that these functions will be mixed in different ways to generate least cost solutions for the output mix determined by the consumer. Bucklin here points to two factors influencing channel performance: Consumer demands and competition.

2.2.1.3 1970-1985: Behavioural approach, power and conflict

In the period 1970 – 1985 marketing channel theory is dominated by focus on power and conflict in channels. This is called the behavioural approach or research paradigm, and draws on social psychology, organization theory and political science. Major references here are the works of Stern (1969) and Gaski (1984). The behavioural approach sees channel actors as interdependent organizations, and analyses how structures and processes can be developed to ease management of these systems. The notion of a “channel leader” is developed; an actor who takes upon himself to govern the channel, often by coercion and use of power. This often leads to channel conflict. This perspective is broadened by Zald’s (1970) political economy framework and the resource dependency explanations by Pfeffer and Salanick (1978) building on Emerson’s (1962) work on power and exchange: “…the power to control or influence the other resides in the others dependence” (Emerson, 1962, p. 32). Hence, Pfeffer (1982) quoted in Quinn and Murray (2005) argue that “an organization’s behaviour becomes externally influenced as it adjusts to the demands of those in the environment that provide resources necessary for its continued survival” (Quinn and Murray, 2005, p. 7). Being less influential for a while, Quinn and Murray (2005) argue that the growth of large retailers has lead to a renewed interest in the power/resource dependency perspective in channel research.

2.2.1.4 Recent approaches: Transaction Cost Analysis and Agency-theory

From 1985 the dominant research paradigm in marketing channel theory has been based on transaction cost economics. This approach builds upon the main issues from the neoclassical economies as it is concerned with functions, cost and efficiency. In this perspective, Coase (1937) was perhaps the first to argue that a company would be better off if the cost of performing an activity was lower than buying the same activity in the market. This picture has later been developed by Williamson (Williamson, 1981; 1975) and later Heide (1994). In transaction cost theory, a company will engage in relationships
to reduce costs. The main issue is to identify which governance mechanism in the marketing channel that will minimizes transactions costs. On one end of the continuum there is a total integration or “hierarchy” of organizations, where ownership gives a certain prerogative and control. On the other end there is a free market where transactions are governed by the market forces. Each form of governance has its own costs and the vital issue is to choose a system which gives the lowest costs in each case. The so-called agency-theory is also central in this picture. This theory holds that because of bounded rationality actors have to trust each other, but actors in the channel may behave opportunistically, meaning they will hold back information that will is not beneficial them. It is argued that opportunistic behaviour is reduced in a hierarchy or an integrated structure because the actors can establish better control mechanisms.

2.2.1.5 Socio-political approach

Stern and Reve (1980) and Achrol et al. (1983) aims to bridge the economic approach and the behavioural approach. They argue that the social and economic aspects of channels can be seen in conjunction to each other, but need to be viewed in relation to the wider political and economic environment. They argue that the internal environment of a channel, i.e. the relationship between the actors, is influenced by the external economic environment: “Both from the perspective of analytical expediency and theoretical generalization, it is reasonable to assume that there are important clusters of forces which seem to affect channel dyads differently. Theoretically, the environment pluralism of channel dyads can be handled by distinguishing the forces creating direct and indirect external dependencies for a dyad” (Achrol et al., 1983, p. 57). The environment in their terms made up of three “layers”; the primary task environment (suppliers, customers, regulating agencies and competitors); the secondary task environment (suppliers to the suppliers, customers to the customers and interest aggregators); and macro environment (social, political, and technological forces) which impinge on the primary and secondary environment.

2.2.1.6 Institutional approach

Grewal and Dharwadkar (2002) brings this perspective further by focusing on the role of the institutional environment and its consequences for changes in marketing channels. They argue that the political economy framework presented by Achrol et al. (1983) is limited in the way it treats the social context of channel behaviour. “In response, they look to incorporate institutional thinking as a necessary counter-balance to the long-standing
dominance of political economy frameworks in the explanation of channel phenomena” (Quinn and Murray, 2005, p. 7). Grewal and Dharwakar (2002) advocate that the institutional perspective relies on the primacy of 1) regulatory institutions (e.g. laws), 2) normative institutions (e.g. professions), and 3) cognitive institutions (e.g. habitual actions) in influencing the legitimacy of channel members. The institutional perspective also discusses power. However, in contrast to the resource dependency theory, power is embedded in institutionalized norms and values. This implies that channel members can exert power in terms of how they are perceived by other channel members.

To illustrate the influence of the institutional environment on the political environment of marketing channels, they draw an interesting perspective about the efficiency of the Japanese distribution system. They argue that the cognitive institutions of the distribution system, such as the powerful keiretsu system building on a found hundred year old institutional system, has overshadowed the influence of market factors like price and efficiency. Normative institutions such as social welfare also affect the system. These two factors are aided by regulative institutions like the Large Scale Retail Store Law limiting retail store size to a specific size. Grewal and Dharwakar (2002) argue that “the current state of historical evolution, societal needs, and regulatory processes in Japanese distribution channels must be considered in the larger context in which both efficiency and legitimacy concerns arising from societal attitudes and expectations influence the nature of the relationships among various channel members. Such institutional influences are not exclusive to Japan, and help define the context in which channel relationships evolve” (Grewal and Dharwadkar, 2002, p. 82).

2.2.1.7 Influence of external environment on performance

The idea that an external marketing environment imposes influence on channel performance is an established framework within marketing channel literature. Lebow (1948) says that “since distribution is a function of both production and consumption and so part of the life process of society, changes within it must be seen in the context of our national economy” (Lebow, 1948, p. 16). In his study he describes the changes in distribution channels where “…we have the increasing tendency toward the concentration of distribution in fewer and fewer hands. In every field, a steadily shrinking proportion of the number of outlets is doing a steadily larger proportion of the retail wholesale volume”
(Lebow, 1948, p. 22). He attributes these changes to the growing competition and demand for reduced costs and increased efficiency.

Similar perspectives on the marketing environment are commonly found in textbooks in marketing channels. For instance, Stern et al. (1989) argue that “two goals of marketing management are to ensure that the controllable changes are properly coordinated within the channel to ensure that the uncontrollable or environmental changes do not adversely impact the channel. Therefore, understanding what makes up the environment and how it affects channel management is particularly important” (Stern et al., 1989, p. 27). In their model factors such as demographics, changing consumer resources, social and culture, consumer attitudes, consumer life styles, political, economical and technological factors are important facets of change. Similarly, Mallen (1977, p. 174) argues that “there are certain factors which the channel strategist must take into consideration and through which he must operate, but over which he has little control. These factors are outside the direct influence of his company and he must adapt to them to be successful. These factors … may be referred to as the environment”. He mentions competition, business conditions (ie. trends), technology, international, social and ethical and government and legal aspects as key factors.

2.2.1.8 Similar approaches

Guiltinan (1974, p. 179) presents a parallel perspective arguing that “Market forces influence channel evolution by providing pressure for institutional change, for the reallocation of functions and for changes in channel member relationships”. In a comprehensive discussion of processes of channel evolution Guiltinan (1974) examines four kinds of forces of change traditionally considered in the channel literature: 1) Forces influencing evolution, 2) Institutional changes; 3) Allocation of functions and 4) Relationships among channel members. Looking at evolution and change, for instance, change may come from within the channel as actors develop. McNair’s “wheel of retailing” is an example of this. It holds that a retailer will pass through various evolutionary stages (McNair, 1958). Bucklin (1972) presents similar arguments when he advocates that development of retail market structures pass through four stages of periodic, permanent, fragmented and integrated markets. However, internal changes in the channel are directly related to environmental changes such as level of demand, money supply, technology and managerial skills of entrepreneurs. Guiltinan (1974, p. 83) holds that
“explanations for various institutional change processes do not provide a set of circumstances for predicting when an institutional change will occur, but indicate that change seems to result from competing efforts to meet the changing needs of one or more market segments” (p. 83). Further “the retailer-customer interface is important in that changes in institutions are tied to gaps in the retail availability customer need matchup. Such changes, should they occur, are also likely to provide pressure for changes in activities and relationships among channel members”.

Dommermuth and Anderson (1969) criticize the institutional approach for being too narrow. The see the channel as a system of unique functions, and the purpose and success of the channel is the efficient performance of these functions. Change in the channel is seen as a consequence of changes in performance of the channel members, or reallocation of functions. Stiegler (1951), for instance, argues that the channel follows a single evolutionary path towards a level where the scalar economies for various functions are achieved. Similar issues are discussed by Guiltinan (1974) who suggests that channels approach a normative channel structure as increasingly lower cost combinations of the functional acts are required. However, the channel is subject to changes in the environment since “technology and consumer buying patterns are always changing… the normative channel is always changing. This evolution seems to be a continuous process.” (Guiltinan, 1974 p, 84). Further: “To summarize, channels evolve a new functional activity alignments become necessary... and such changes result from market-determined forces – competitors’ actions and the changing mix of services desired by customers” (Guiltinan, 1974 p, 85).

Looking at the relationship among channel members, the objectives and strategies among the channel members become important facets of change. Guiltinan argues that although pressure for institutional change, changes in functions or changes in relationships among actors may arise from market forces, few channel members react to changes automatically. Changes, he argues, can be best explained by changes in the strategic objectives of key members. Such members may for instance be channel captains or major institutions. “Changes in these objectives may stem from the pressure brought about through institutional obsolescence, inefficient functional performance and/or conflict” (Guiltinan, 1974, p. 87). In his terms, it is not the market force in itself that represents the change, but the actor’s perception of it. This is also briefly discussed by Achrol at al (1983) in their discussion of the environment. They argue that “organizations do not perceive the environment as such, they enact one” (Achrol et al., 1983, p. 61 ). Here they refer to Weick
Christopher (1992) is viewed as an influential contributor to the Supply Chain Management concept, defined as “The management of upstream and downstream relationships with suppliers and customers to deliver superior value at less cost to the supply chain as a whole” (Christopher, 2005, p. 4). However, Mentzer et al. (2001) have identified more than 100 definitions of the concept. Christopher argues that an integrated
supply chain can gain better competitive advantage by offering reduced costs and increased customer value. He sees the supply chain as a value chain, a theme first introduced by Porter (1985). Core concepts of SCM are integration and coordination of functions paralleled with trust and long-term commitment to customers and suppliers. Christopher sees the development of SCM in terms of four forces of a changing competitive environment facing industry; increased competition, globalization of industry, downward pressure on price and increased customer control.

Indeed, Abrahamsson and Brege (1997) in their study of structural changes in the supply chain arrived at similar conclusions. They looked at effect of changes on materials management, production, physical distribution and sales and found evidence of decreased distribution costs, decreased inventory costs, increased customer value, more efficient use of and less dependence on middlemen, more efficient marketing and sales.

Similar trends have been addressed by Bowersox et al. (2000). They discuss three perspectives regarding value. The first perspective is economic value. This means increased efficiency and profitability by economies of scale. Value to the customer is in terms of low price. The second perspective is market value, which builds upon effectiveness by economies of scope. Value to the customer is in terms of assortment and convenience. Bowersox et al. (2000) argue that economy value and market value (i.e. price, assortment and convenience historically have driven supply chain services. This line of thought is very much similar to Bucklin, and is not a novel idea. Bowersox et al. (2000) argue that the third perspective, relevancy value, will determine the success of the supply chain. Relevancy value to the customer is in terms of business and lifestyle accommodation. “It is about doing things that in the final analysis make a real difference in the way business customers work and customers live” (Bowersox et al., 2000, p. 2). They advocate that relevancy value will take precedence over economic and market value in the 21st Century. Interestingly, this coincides with the increased focus branding has gained in the marketing literature in recent years, where successful brands aim to create some superior position the mind of the customer (Keller, 2003; Aaker, 1996; Aaker and Joachimsthaler, 2000). Firms that create high relevancy value “build on one-to-one marketing designed to provide individual end-customer relevancy, i.e. providing exactly what a specific customer need to meet personal expectations… Such focused relevance requires the total integration of business processes to enhance product/service
configuration” (Bowersox et al., 2000, p. 2). This is very much in line with the principles of supply chain management.

The following is an attempt to draw a preliminary summary of how various streams of literature in marketing channels research describe facets of change:

<table>
<thead>
<tr>
<th>Concept</th>
<th>Main works</th>
<th>Change described in terms of:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro-economic theory</td>
<td>Alderson (1957)</td>
<td>Functions, cost and efficiency</td>
</tr>
<tr>
<td></td>
<td>Bucklin (1956; 1966)</td>
<td></td>
</tr>
<tr>
<td>Behavioural approach</td>
<td>Stern (1969)</td>
<td>Governance mechanisms</td>
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<td></td>
<td>Gaski (1969)</td>
<td>Channel leader</td>
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<tr>
<td></td>
<td>Pfeffer and Salanick (1978)</td>
<td>Resource dependency</td>
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<td></td>
<td>Pfeffer (1982)</td>
<td>Power and conflict</td>
</tr>
<tr>
<td>Transaction cost economics</td>
<td>Coase (1937)</td>
<td>Cost</td>
</tr>
<tr>
<td></td>
<td>Williamson (1975; 1981)</td>
<td>Efficiency</td>
</tr>
<tr>
<td></td>
<td>Heide (1994)</td>
<td>Governance mechanisms</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Market vs. hierarchy</td>
</tr>
<tr>
<td>Socio-political approach</td>
<td>Stern and Reve (1982)</td>
<td>Primary, secondary and macro environment</td>
</tr>
<tr>
<td></td>
<td>Achrol et al. (1983)</td>
<td></td>
</tr>
<tr>
<td>Institutionalist approach</td>
<td>Grewal and Dharwadkar (2002)</td>
<td>Regulatory, normative and cognitive institutions</td>
</tr>
<tr>
<td>Evolutionary perspective</td>
<td>McNair (1958)</td>
<td>Distinct evolutionary stages</td>
</tr>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supply chain management</td>
<td>Christopher (2005)</td>
<td>changing competitive environment faced by industry; increased competition, globalization of industry, downward pressure on price and increased customer control.</td>
</tr>
<tr>
<td></td>
<td>Abrahamsson and Brege (1997)</td>
<td></td>
</tr>
</tbody>
</table>

2.3 Industrial networks

Over the last 20 years, the concept of viewing business relationships not as separate entities but as interconnected and interdependent network of relationships, has gained attention by researchers. In this perspective a business relationship is not seen as a marketing channel, a supply chain or a value chain which has been the unit of analysis so
far, but as a network of connected relationships. For the purpose of this study it seems relevant to apply this perspective on change as this focuses on the interconnectedness of change and provides an interesting perspective on how external changes in the environment is embedded within the network. Indeed, Gripsrud et al. (2006) conclude that the marketing channel approach is limited to the actor dimension of a relationship, whereas logistics mainly deals with activities in the relationship. The resource dimension is not addressed in these two approaches. The resource dimension was originally discussed by Penrose in 1959 (Penrose, 1980), and has seen renewed attention in more recent lines of research, such as the industrial network approach. Gripsrud et al. (2006) further argue that additional insights on business relationships may be gained by looking at the interdependence and co-ordination mechanisms between firms. This is also a central perspective in the industrial network approach.

2.3.1 What are networks?

There are various approaches to analysing business relationships in terms of networks. In their review, Araujo and Easton (1996) identify ten approaches; Social networks, interorganisation theory, actor-network theory, networks of innovators, network organisations, policy networks, networks in economic geography, comparative studies, entrepreneurship studies and industrial networks. Although several of these approaches represents interesting perspectives on business relationships nature, this study will adopt the industrial network approach as this represents the most comprehensive paradigm on explaining the interdependencies between actors, activities and resources (Håkansson and Snehota, 1995). The network approach seems particularly useful when analysing change: “The network approach views any company's business context in a holistic rather than fragmented way. It pays particular attention to the connectedness of business relationships and the borderless nature of the network in which each company is embedded. As different parts of a network are linked, change may emerge and shift from any one part to another -- an occurrence that the network view can reveal better than traditional organization theory or marketing approaches. The network approach offers conceptual tools to the study of dynamics in business markets. It pinpoints the importance of both direct and indirect, close and distant relationships for understanding change and allows us to see that relationships may function in various important roles in the generation and transmission of change” (Halinen, et. al 1999, p. 780).
2.3.2 The network approach

The industrial network approach builds on the interaction approach which stresses the need to analyse the management of long-term buyer-seller relationships rather than short term purchasing decisions. After being introduced into the field of industrial marketing in the beginning of the 1980s (Håkansson, 1982), this approach has been developed by numerous studies, and today represents a major breakthrough in the attempt to redefine marketing (Håkansson et al., 2005).

But the development of buyer-seller relationships should not be viewed as an isolated phenomenon. A company develops in the broader context of a network of interdependent relationships (Håkansson and Snehota, 1995). This perspective challenges the idea of the autonomous company making autonomous decisions which is the core of micro-economic theory and transaction cost theory. As discussed in previous sections, business relationships are explained from the view that companies engage in relationships in order to reduce costs and to exert control. The network perspective also challenges the general marketing perspective (Kotler and Keller, 2006) that a company can select a marketing segment and obtain a desired position in this segment based on some autonomous strategy decision, and hence develop a product that will attract the attention of potential customers through market communication activities, determine a pricing policy based on forecasted demand, and decide upon a marketing channel that most efficiently transfer the product from manufacturer to end users. The customer’s task is to act favourably in terms of buying the product in question.

In contrast, the network approach sees the customer as being an active part in the development of the relationships. The success of a company may be explained by its ability to develop and handle interconnectedness of its the relationships and wider network. “No business is an island” Håkansson and Snehota (2006) argue. This implies that a company is not an isolated unit making autonomous decisions; it is linked to the larger environment by its interconnected relationships. As such, the network becomes both a prison and a tool. It constrains the actors as well as it represents possibilities. The possibilities for a single actor to develop its relationships depend on the wider structure. Performance in one relationship is dependant on other relationship. The resource development takes place between companies, not within them. Efficiency is dependent on
external relationships; it is not an internal matter, Håkansson and Snehota (2006) claim. Relationships are in themselves a resource for the creation of new relationships. This is the mere logic behind networks – relationships are part of a larger whole.

2.3.4 Networks and change

Thus, the unit of analysis in the network approach is the relationship. In a relationship companies adapt through interaction. And by interaction they become interdependent. Interdependence may be studied in terms of how activities are linked together, how resources are utilised, and in terms of the strength of bonds between the relevant actors, also termed the “ARA-model” (Håkansson and Snehota 1995). It is the interplay between these dimensions which is the driving force in a relationship: “Activity links may limit or facilitate resource adaptations; resource ties may limit or favor the possibility of activity co-ordination and actor bonds may open up the possibility of developing activity links and resource ties”. (Ford et al., 2008, p. 14). This interplay is described in the following model (Fig. 1.1):

![Diagram of the ARA-model](Source: Håkansson and Snehota, 1995, p. 275)

Considering change in their terms, “the most important dimension of change in business networks concerns the development of activity links, resource ties and actor bonds in relationships. These are not just recording the effects of change, they are also one of its main sources…As links, ties and bonds are developed within one relationship they are also combined and connected to each other. The development of relationships brings them
together in different and sometimes contradictory ways. We thus believe that three dimensions of change in business networks can be identified with the interplay of links, ties and bonds as a starting point” (Håkansson and Snehota, 1995, p. 276). Thus, in the industrial network approach, network changes are seen as manifested in as well as transmitted through connected business relationships.

Specifically, a number of studies in this research tradition has looked at changes in terms of the three underlying dimensions of interactions, i.e. the ARA-model: changes have been analysed regarding the impact on resource ties (Baraldi et al., 2001; Håkansson and Waluszewski, 2002), or the impact of changes on activity links (Fredriksson and Gadde, 2005; Gadde, 2004; Gadde and Håkansson, 2001). Furthermore, some studies have focused on changes in actor bonds (Gadde and Håkansson, 2001; Håkansson and Snehota, 1995).

2.3.4.1 Change vs. stability

We cannot look at change without discussing the opposite of change, which is stability. Stability and change are an inherent duality of networks. “Stability and change may seem contradictory features but in business networks they coexist” (Håkansson and Snehota, 1995, p. 269). These processes are not exclusive but contingent upon another (Geersbro et al., 2007). One the one hand there are always forces that will try to change established actor bonds, resource ties and activity patterns, but on the other hand there are forces that will try to move towards stability. Referring to Johansson and Mattson (1992), “stability is an inherent feature of networks”, Halinen et al. (1999, p. 785) argue. Halinen et al. (1999) also build on Turnbull et al (1986), and point to several reasons for this: Technical and resource dependencies cause rigidity in the network; increasing market concentration, high switching costs and risk-reducing strategies favours stability institutional rules for correct behaviour also has a stabilising effect. Further, “all the stabilising forces are manifested in inertia, that is a tendency to maintain the deep structure of the business network. Due to inertia, the business network experience only incremental changes” (Halinen et al. 1999, p. 786).

This duality of change has been noted by several studies. On the one hand, networks are opening up; on the other hand they close. These are parallel processes: Håkansson and Lundgren (1992) talk about coalescence and dissemination of networks; Mattson (1987) discusses expansion and contraction; Cook (1982) talks about extension and consolidation;
Hertz (1996) in her study uses the term joining and splitting of nets to describe the change processes. There are forces driving changes in networks, and there are forces resisting change, moving towards stability. All networks have both forces of destruction and creativity within them. They counterbalance each other. The one is a prerequisite for the other such as stability is the prerequisite for change. A relationship without these two forces will be dead; it will lack the creativity it needs to constantly develop.

Thus, resistance in itself creates change, as an actor never comes back to the position where it started. Håkansson (1992) compares this pattern to the game of chess. Once a move has been played, the chessboard will never return to its original position. This is a dialectic evolution where resistance is met by an opposing force creating new patterns.

In a way, as Lundgren (1992) points out, stability is a prerequisite for change. Change cannot be implemented successfully without some kind of basic stability. In this view, the idea of a change agent to impose or facilitate some kind of change seems somewhat limited. If one is to assume that changes in networks are imposed by some external forces, this means that the world is stable and needs some external force to impose change. But the world is never stable, it evolves. And in this context we may talk of forces of stability as much as forces of change.

2.3.4.2 Perspectives on the “environment”: Endogenous vs. exogenous change

Reviewing business strategy literature, Håkansson and Snehota (2006, p. 258) state that “research on business strategy has been concerned primarily to understand what makes a business organisation effective in its environment, and to explore the organisational processes required to enhance its effectiveness”. Strategy management is seen as a process of “adapting the pattern of activities performed by the organisation to the external environment”. Three assumptions are generally made about how environmental conditions influence companies: Firstly, the environment is a faceless, atomistic and beyond the influence or control of the organisation. Hence, organisations must identify and exploit opportunities by adapting to the environment. Secondly, a firm must reallocate and adapt its internal resources be efficient in an ever-changing competitive environment. Thirdly, management must interpret these changing environmental conditions and formulate and interpret a new pattern of activities. Håkansson and Snehota (2006) are critical of these assumptions. In the network approach, the environment is not a faceless entity, but
identifiable parties and unique counterparts with distinct identities. Hence, “what appears to give a business organisation its identity and to define its field of operations in the network view cannot be fruitfully covered by the concept of ‘environment’. The environment is not a meaningful concept in these situations, more meaningful is a set of related identities. Moreover, the (inter)dependence of an organisation on other entities makes it difficult to disconnect the organisation from its network, since a business organisation without its interactive environment loses its identity” (Håkansson and Snehota, 2006, p. 261). They suggest using the term “context” rather than “environment”. The context is enacted and created by the organisation itself. Hence, rather than analysing how a company reacts to changes in some external environment, it is more relevant to analyse how it handles interdependencies and interconnectedness in the larger context.

Easton (1992, p. 10) arrives at a similar conclusion stating that “the direction of change is governed by the pattern of relationships that the participant firms judge, on a resultant rather than a collective basis, to be most favourable. This is a form of coordination which is neither market nor hierarchy but an intermediary form. It is an alternative mode which operates by different mechanisms”.

A parallel perspective has been suggested by Lundgren (1992). Reviewing literature on economic change, he states that “In these fields of thought, interest is focused upon change processes in the economic system and variables affecting those processes. Change agents such as innovators and entrepreneurs and change activities such as scientific research and development are emphasised…in traditional economic theory actors are independent of each other, and production and consumption are regarded as being separate processes” (Lundgren, 1992, p. 147).

However, Lundgren argues that if these basic assumptions are changed, so becomes the actor’s perspective of economic change. Since actors are related to each other by resource dependencies and exchange activities, change cannot be explained by theories “explicitly or implicitly assuming that actors can act independently, nor by assuming that there exist variables at an aggregate level which affect the behaviour of all firms in a homogeneous way” (Lundgren, 1992, p. 147). Change in terms of the network approach, he argues, is determined by the characteristic of the interaction pattern in the network. Hence, the network perspective on change implies that all changes are endogenous.
A similar argument is put forward by Håkansson and Snehota (1995, p. 271) arguing that “change in a network is to a large extent endogenous in relation to the network, but exogenous to the single actor. Substantial changes are initiated and carried out as companies interact. Actors promote change, as they always have both reasons and opportunities to make changes in the structure of the network”. Håkansson and Snehota (1995) argue that there are three reasons for changes in business relationships: First, because individuals are curious and learning, some changes occur because actors learn how to utilise new resources. Second, interdependencies are complex and actors can never understand the full picture. Therefore, some changes are the result of different and contrasting perceptions of how activities should be linked. Thirdly, actors are always seeking to improve their position in the network and therefore look for opportunities to create changes in the relationship. They argue that business relationships may be influenced by exogenous factors, but they will always be transformed into or combined with endogenous change parameters.

Hence, *change always appears in the form of someone else’s response to change*. Change is always transmitted through the network in form of changed activity patterns, resource structures and actor bonds which the actor has to relate to and interact with. The way in which an actor does this determines his ability to cope with change.

### 2.3.4.3 Change in terms of coordination and mobilisation

In a network perspective, Lundgren (1992) states that change may be continuous, i.e. changes are happening within established structures, or discontinuous meaning that change processes are only loosely connected to the existing network structure. This typology of changes can be dealt with by applying the concepts of coordination and mobilisation. Continuous change is related to coordination of activities, whereas discontinuous change relates to mobilisation of resources. Lundgren (1992) argues that coordination of activities will always influence the resource structure and provide further developments in the network. New activity cycles must be proceeded by changes in the industrial infrastructure. Mobilisation processes will therefore always run counter to coordination processes. Hence, “coordination contributes to the evolution of the network. Mobilisation disturbs and disrupts the coordinated activities and will not necessarily have a positive effect on the development in networks” (p. 163). Mobilisation is more likely to occur during unstable periods and is a complicated and exacting process.
2.3.4.4 Change in terms of structuring and hierarchisation

Håkansson (1992) discussing evolution in networks, argues that two opposite tendencies may be found regarding combining resources and activities. On one hand actors tend to elaborate on existing activity patterns and resource structures. This he refers to as structuring. Structuring is a continuous process and it continues as the resources and activities are not fully utilised. Structuring is created through interactions between individual companies. On the other hand, there is a tendency to find new ways of combining activities and resources. This he labels hierarchisation. New resource combinations and activity patterns are often in conflict with established ones. Therefore, hierarchisation implies an element of conflict, power and control. These processes are interdependent and form an entirety where networks constantly evolve.

2.3.4.5 Change in terms of integration

Hertz (1992, p. 107) looks at changes in networks in terms of integration of industrial systems: “Integration denotes a movement towards, rather than an arrival at, a position. From this definition it follows that integration is a process of change. Integrating flows of activities between organisations will change the degree to which the actors are interdependent in the system”. Hertz argues that the basic reason for actors to integrate is to become more efficient through “reduced redundancy and duplication in the resources used to fulfil a certain activity chain, to prevent duplication of activities as well as to achieve mobilisation of resources” (Hertz, 1992, p. 108). Referring to Mattson (1987) she argues that integration may be seen in three dimensions: institutional integration, concerning the formal-legal power of organisations such as ownership, contracts, etc.; decision integration which is concerned with who controls what in the relationship; and finally execution integration which refers to the flow of activities executed. Discussing formal-legal integration, she argues that the informal bonds are as important as the formal bonds. Formal ties are not discussed as much in the network perspective, but informal ties are important determinants for integration. There can be no integration without some degree of trust. Thus, the degree of trust will also determine the level of integration. Looking at execution integration, we can discuss this in terms of activity transfer, internalisation, exclusiveness and homogeneity. All these factors will facilitate integration. Regarding decision integration, an actor will always try to occupy a central position in the network. Centralisation of decision making processes is also support integration.
What are the effects of integration? Hertz (1992, p. 124) claims that “there is a tendency towards a continuation of the integration process as long as there are further contributions to be gained”. Increased integration means that actors will experience a more and more complex situation as the interdependence in the system increases. In a closed community exchange of resources occurs within the system, rather than within the environment. This means that no new organisations will be added to the system without disturbing it or upsetting it. The integrated system then will move from stability to collapse or disintegration, as it is challenged by competing systems that take over vital functions. Because of high interdependence commonly found within integrated system, such changes are necessarily radical. Hence, this becomes the start of a new integrative process with new combinations of resources, actors and activities.

Several studies on patterns of integration have shown that relationships develop a typical life-cycle pattern over time (for a review see Hertz, 1996). Typical phases include establishment, expansion and dissolution (Dwyer et al., 1987; Ford, 1980). What is commonly found in these studies is that there is no abrupt ending to the relationships; they gradually fade away as more activities are taken over by other actors. This implies that changes are not radical as seen above, but gradual or incremental.

2.3.4.6 Confined and connected change

Halinen et al. (1999) introduce the term confined change to characterise the stable situation in a network. Confined change remains in the dyad, and is not acted upon by other actors in the relationship. Examples of this type of change is where “the number of persons involved may increase or decrease, the perceived trust between the parties may deepen or weaken or the activities performed in cooperation may change in character with no effects on other relationships” (p. 782). However, due to the interdependencies of relationships, change in one relationship often spreads like a domino effect to other relationships, and thus affects the whole network. This is defined as connected change; a change that influences or is acted upon by other relationships in the network.

2.3.4.7 Incremental and radical change

If we accept the importance of change within networks, we need to discuss different kinds of change. As argued earlier, change has usually been seen as an evolutionary process. “Incremental evolution has been seen as the main mode of network change” (Halinen,
Easton (1992, p. 135) argues that “networks are stable, but not static. The continuing process of interaction between firms are stabilised since they take place within the context of existing relationships … Evolution is the main mode; revolution is possible but unusual. Network inertia and interdependencies slow and shape change”. However, stable periods are broken by radical changes. Radical changes represent fundamental alterations or dissolution of actor bonds and resource ties, and new relationships are established. Halinen et al. (1999) use the punctuated-equilibrium model of change to explain radical changes. This model infers that stable periods are broken by sudden radical or revolutionary periods. The models suggest that changes do not occur by incremental steps, but by frame-breaking change (Gersick, 1991). Halinen et al. (1999) in their review of literature on radical changes point to a number of reasons for such radical steps or critical events: Personnel changes in the upper echelons of organisations; shifts in organisational structures; changes in the company’s business, purchasing or marketing strategy; acquisitions, mergers and bankruptcies.

Critical events caused by changes in the business environment are also the force of radical changes such as economic recession or shifting political, social and technological conditions. However, the impact of these forces is always transmitted within the network though the relationships, as Håkansson and Snehota (1995) suggest. The following table is an attempt to offer a preliminary summary of how various streams of literature in industrial networks describe change:

<table>
<thead>
<tr>
<th>Main works</th>
<th>Change described in terms of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baraldi et a. 2001; Fredriksson and Gadde 2005; Gadde and Håkansson 2001; Håkansson and Snehota 1995; Håkansson and Waluszewski 2002</td>
<td>Change in resource ties, actor bonds activity links</td>
</tr>
<tr>
<td>Håkansson (1995)</td>
<td>Continuous improvement of resource allocation; Contrasting perceptions on activity links; strive for improvement of network position</td>
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<tr>
<td>Lundegren (1992)</td>
<td>Coordination and mobilisation; continuous and discontinuous change</td>
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<tr>
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<td>Mattson (1987)</td>
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<tr>
<td>Cook (1982)</td>
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<tr>
<td>Halinen et al. (1999)</td>
<td>Confined and connected change Incremental and radical change</td>
</tr>
</tbody>
</table>
2.3.5 Discrepancy in the literature – introducing Model 1

While considerable research exists on explaining business network structures, there is still much insight to be gained regarding the issue of change within networks. Little research has been undertaken to analyse and compare the perceptions of manifold actors in a business network with regard to the dynamics of changes, specifically the time-space specificity of change in business networks (Ford et al. 2008). Firstly, the *time dimension* needs to relate the subjective understanding of past, present, and future change to the mechanism these actors ascribe to these changes, i.e. the perceived reasons for the change in the business network as well as the impact this change has. Secondly, with regard to the *space dimension*, it is important to be able to systematise these change dynamics to compare differences between actors in a business network. Therefore, the location of change within the confines of the business network structure needs to be analysed.

A conceptual model for analysing change in business networks is therefore proposed, looking at both the *intensity* and *level of change*. Reviewing literature on network change in this chapter, it is apparent that change is located at three *levels*; the actor level (within the company), the dyad level (in a relationship/dyad) or the network level (between connected relationships/dyads). One may assume, due to the implicit idea of interdependence which is the basis for the interaction approach, that change at one of these levels will have effect on the other levels. The *intensity* of change can be defined as to whether it is radical of incremental. However, to see changes in terms of radical and incremental may pose some limitations, in the sense that change is always somewhere in between. Rather a continuum where incremental or radical changes are two extremes is a better illustration of this complexity. Similarly, to view change in terms of confined and connected (Halinen et al., 1999) is also somewhat narrow. In networks, change is both confined and connected. It is difficult to draw the boundary on what influences what. Is change within the dyad (confined change) a result of a change in another dyad (connected change)? Are the terms confined and connected sufficient explanations? Further, Halinen et al.’s model does not take into account situations where change within the actor’s organisation has effect on the wider network.

One way to explain the interconnectedness of network change is presented in form of Model 1 (fig. 1.3):
This model suggests that change can be analysed in terms of its intensity (radical vs. incremental) and level (actor, dyad or network level). On the vertical axis is a continuum where incremental and radical changes are two extremes, because as change is never either radical or incremental, it is always somewhere in between. On the horizontal axis change can be characterised as to whether it appears at the actor, dyad or network level.

The model suggests that change at one level may transmit to another level, and vice versa because actors in networks are interdependent. This is illustrated in the following example (Fig. 2.3). Here, the employment of a new purchasing manager with a new purchasing strategy (A: change on actor level/within the node) leads to a different activity pattern (B: more or less quantities bought) and resource ties (C: different goods purchased, new combination of resources). For the sake of the argument we can term the hiring of a new manager as incremental, whereas the change in resource ties is seen as somewhere between incremental and radical. They may even be more profound. This change at dyad level may in turn lead to the dissemination of the existing relationship if the current supplier cannot meet new price quotes, and the establishing of a new relationship (D: new supplier chosen).
or a parallel process (E: fading out one supplier and increased activities with new one). These may be radical changes as the network changes its structure. The new supplier has other suppliers, etc. and hence the change transcends though the network (F). Conversely, this new business relationship at the network level may imply a different resource pattern (G: dyad level), which may leads to a new management structure and corporate strategy (H: actor level) (fig. 1.4).

"Level of change"

![Diagram of network changes using Model 1](image)

Fig. 2.4: Illustration of network changes using Model 1

This example illustrates that change in networks may be located at all three levels. In all cases actors need to adapt to changes, and these adaptations are in return the origins of new changes. As such changes are occurring in never-ending loops where it is difficult to say where they originate and where they end. Actors are both the sources and receivers of change. The single actor may believe that his actions are the origins of some specific change, but this change is always in response to someone else’s actions. The interesting question is therefore not what causes changes in networks, as the answer to this may be indefinite and difficult to grasp; but rather how companies deal with and adapt to change. This question is better at providing specific knowledge and is more comprehensive from a methodological point of view.
2.4 Research question

Following the decision to use the industrial network approach to analyse network changes, the initial research question therefore is “how do actors in business networks adapt to changes?”

In an attempt to answer this question, and subsequently test Model 1, an initial study of Japanese-Norwegian buyer-seller relationships was undertaken. Before presenting this study, the next Chapter 3 will describe the methodology used throughout the study.
Chapter 3: Methodology and research design

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<td>Findings indicate Model 1 is inadequate</td>
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<td>Ch. 5 The role of perceptions</td>
<td>Literature review of the interface between</td>
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<td>Ch. 6 Arriving at a conceptual model for analysing network change</td>
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</table>

This study has adopted an explorative research design, using qualitative methods such as in-depth personal interviews as the main data collection method, and to some extent observation and tracer studies. Cognitive mapping or network pictures is also used as a data collection method. The study may be described as a case study. This chapter will explain the rationale behind these decisions.

3.1 What is good research design?

Before discussing the plethora of data-collection methods available to the researcher, it is worth considering this simple but difficult question. Good research means that something is carried out in a scientific manner, in contrast to some best practice or logical reasoning. But what does scientific means? Science is “…an attempt to understand, explain and predict the world that we live in”, explains Okasha (2002, p.1). But so does religion, and surely religion is not regarded as a science? What distinguishes science from other attempts to explain the world or “reality”, is the methods that scientists use to investigate it. A scientific method is a set of procedures which, if followed, gives extended knowledge
about a phenomenon. A scientific attitude means that research is carried out systematically, sceptically and ethically, according to Robson (2002); Systematically means that you give serious consideration to what, where, how and why you do it, sceptically means that your results must be subject to scrutiny and possible disconfirmation, and ethically means that you follow some code of conduct which ensures the interests of people participating in your research.

In an attempt to define research, Goodwin and Goodwin (1996, p. 5) say that “…research means finding out. …The [research] types, or methods, have in common the generation of knowledge at varying levels of detail, sophistication and generalisability. Research results in the creation of knowledge to solve a problem, answer a question and better describe or understand something. In all these instances producing new knowledge highlights the research process...”. Here, it appears that research has to do with producing new knowledge or contributing to our understanding, it seeks to formulate a problem and answer a particular research question, it involves the application of certain research methods, and it aims to make the results generalisable in some way. This suggests that research is an ongoing process, continuously questioning and probing for new insight. These elements are very much in line with Robson’s (2002) model of research design (briefly described in Chapter 1) which suggests the following framework for research design (fig. 1):

![Robson’s (2002) model of research design](image)

In the literature, the concepts strategy, framework and design seem to address the same question, namely how do you go about doing your research? Robson defines design in
terms of the following five components: Purpose, Theory, Research questions, Methods and Sampling strategy. These will be dealt with in turn:

1. **Purpose:** “What is this study trying to achieve? Why is it being done? Are we seeking to explain, describe or understand something?”

Whitley (1989) argues that management research should focus on complex, varied and contextually specific phenomena, rather than formal relationships between a small number of objects. The purpose of research should therefore not be directed at achieving a best practice of common guidelines for managers, but to understand a particular process or phenomenon in greater depth. According to Robson (2002) research purpose can be classified as *exploratory, descriptive* or *explanatory*. Explanation means than we have an account of the underlying phenomena influencing what we are set to study. But it can be argued that management tasks lack visible and controllable output, and it is difficult to single out causes and what? (Whitley, 1989) Therefore, management research should attempt to describe and understand, rather than explain.

2. **Theory:** “What theory will guide or inform my study? How will I understand the findings? What conceptual framework will link the phenomena I am studying?”

Much of the discussion regarding management sciences concerns whether there can be some general theories about management generated from management research (Whitley, 1989). Whitley argues that the search for managerial theories seems unlikely to be successful, because of the contextual and non-standardised nature of management tasks. But does this means that there can be no attempt in management sciences to understand or explain a phenomenon in light of a conceptual framework? Surely the attempt to come up with some underlying framework plays a vital part in the pursuit of extended knowledge?

Research design differs in broad terms between *deductive* and *inductive* approaches. Deduction means starting out with some theory which observations can be related to. Induction means that research aims to distil some theory based upon observations. The concept of theory is a fundamental issue for both these approaches. When assessing the trustworthiness of a research project, the terms *reliability* and *validity* are commonly used (to what degree the study measures what it is said to measure) and *generalisability* (whether the result of a sample is referable to the population as a whole). These concepts are not difficult to handle when it comes to quantitative research in the positivist tradition.
But in social sciences such as management sciences, where the purpose of research is to study a phenomenon in its detailed context, results are less generalisable. Research in social sciences is often qualitative, and relies on in-depth interviews and case studies. Results in one study are not necessarily generalisable and replicable. But this is not an issue when adopting a qualitative approach, Robson argues. “A case study might just be concerned with explaining and understanding what is going on in a particular business… it very rarely involves the selection of a representative sample of settings from a known population which would permit the kind of statistical generalisation typical of survey designs” (Robson, 2002, p. 177). Some generalisation beyond the study setting may be achieved, but as an attempt to understand similar cases or situations, rather than discovering some underlying theoretical framework.

3. Research questions: “To what questions is the research geared to provide answers?”

Research questions help to determine research strategy. Questions like “how many”, “how much”, “who” and “where” indicate non-experimental, quantitative approach, such as a survey. “What” questions in the terms of “what’s going on” indicate a more qualitative approach. “How” and “why” questions could be both, but often indicate qualitative approaches (Robson, 2002). Broadly speaking, “how many”, “how much” and “where” research questions are tailored to descriptive purposes. “What” takes a more exploratory stance, whereas “why” and “how” signals more explanatory purposes. As seen above, management research questions would perhaps best be concerned with exploratory and descriptive design as it is difficult to take an explanatory stance.

4. Method: “What technique will I use to collect data? How will the data be analysed? How will I know the data is trustworthy?”

Methods for data collection can broadly be classified in two main areas; qualitative and quantitative designs. Within qualitative research, methods like semi-structured interviews, focus groups, case studies, inductive approaches or grounded theory are employed. Quantitative studies are traditionally concerned with experiments and surveys. Some argue (Whitley, 1988) that cause and effect relationships are difficult to establish in management sciences. Following this logic, experiments in the positivist tradition would not be probable in management research. But it would be an over-simplification to merely suggest that qualitative methods are more suitable for management research. Successful research projects should rather adopt a variety of methods, and not rely on one in particular.
Because management is contextual, non-standardised and interdependent, research questions will not be sufficiently answered by only adhering to one or a limited number of methods. It is perhaps in the combination or triangulation which Robson refers to, that some validity, reliability and generalisability in social sciences may be obtained.

5. Sampling strategy: “From whom, where and when will I seek the data?”
Concerning the level of analysis, research should be confined to the organisation, or the system as the unit of analysis, applying a variety of methods of data collection. Looking again at the research issue in the present study, change in networks, this has been studied on several levels using a wide range of methods: company reports have been looked at to say something about the economic aspects of change; managers on several levels in the organisation have been interviewed about their perspectives; customers, suppliers and business partners have been interviewed to get their perspectives on change, volume changes have been looked up in official export statistics, and business practice and activities have been observed; subsequent interviews have been undertaken after one year for a longitudinal comparisons, etc. The point here is that by adopting rich variety of data collection methods, improved knowledge and insight from the sample has been possible.

3.2 Why qualitative methods?
Qualitative methods are preferred because they better fit the research purpose. In a qualitative tradition, purpose, theory, research question, methods and sampling strategy are continuously revised (Robson 2002), and that has been the experience throughout the study. The research question implies that the researcher needs to get close to the sample in order to get the necessary information. This is best done by using methods found within the qualitative tradition. A further argument for employing qualitative methods is from an epistemological point of view. The present study is within the field of industrial marketing, a field which is firmly grounded within management science and social sciences where qualitative methods are widely used.

A variety of methods of qualitative research are described in the literature, but there does not appear to be a general agreement about what these methods are. For instance, Bryman and Bell (2003), argue that “… it is difficult to see how it is possible to refer to qualitative research as a distinctive research strategy” (p. 281). Various authors take different stances. There seems to be a more convergent methodology in quantitative methods. In a way it
seems easier to explain what qualitative methods are not. Bryman and Bell make a general point that “qualitative research tends to be concerned with words rather than numbers” (p. 280), which may be good way to explain the main difference between qualitative and qualitative methods.

Looking at the various methods available, Bryman and Bell (2003) describes five methods; 1) Ethnography/participant observation. 2) Qualitative interviewing, 3) Focus groups, 4) Language based approaches to the collection of qualitative data and 5) The collection and qualitative analysis of texts and documents. Robson (2002) describes three main traditions of flexible designs as he calls qualitative methods; 1) Case studies, 2) Ethnographic studies and 3) Grounded theory studies. In addition to these three there are a number of other research traditions within qualitative research such as biographical or life history research, phenomenological research, symbolic interactionism, hermeneutics and feminist perspectives (Robson, 2002).

For the present study, case studies relying mainly upon interviews as research methods, which additional use of observation, secondary source of information (document analysis) and cognitive mapping were chosen as data collection methods. Here follows a brief explanation of these methods, and the rationale for choosing them.

A case study is a “strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence” (Yin, 1994). One may ask whether it is appropriate to describe the case study as a distinct method per sé, as it actually covers various methods to collect evidence. This is in line with Robson (2002, p. 179) who stresses six important characteristics of the case study:

1. A strategy or approach rather than a single method such as observation or interviews. This is appropriate for the purpose of the present study, because it implies that researchers are not restricted to one method. And it is highly relevant if other interesting questions appear during the course of study which may be approached from different viewpoints.

2. Concerned with research in it broadest context. This represents both a possibility and a problem. A possibility in the sense of employing multiple methods as described above, but
a problem because it may be difficult to draw boundaries within the research context when the research is broad and “everything is connected to everything”. This is a critique often raised towards the research tradition used in this study, the industrial network approach, which traditionally relies heavily on case studies.

3. **Empirical in the sense that it relies on collective evidence of what is going on.** This is highly relevant for the present study which has collected information from Norwegian exporters, Japanese customers, the Norwegian Seafood Export Council, the Department of fisheries, Seafood producers in Norway, wholesalers and distributors in Japan. Within this method, a number of actors and institutions can safely be approached to collect perceptions on the Japanese seafood distribution and the role that Norwegian salmon plays.

4. **About the particular, and to the extent to which this may be generalised.** This is a particularly vital issue. The extent to which knowledge generated by qualitative methods in general and case studies in particular can be generalised to a broader context, has received a lot of attention. According to Bryman and Bell (2003) qualitative research has been criticised for being too subjective and difficult to replicate, there are problems regarding generalisation and lack of transparency. Guba and Lincoln (1994) have therefore proposed alternative ways of evaluating qualitative research as opposed to the traditional criteria of validity and reliability commonly associated with quantitative methods. They advocate **credibility** which parallels internal validity, **transferability** which parallels external validity, **dependability** which parallels reliability and **confirmability** which parallels objectivity. In the words of Robson (2002. p. 177) “a case study might just be concerned with explaining and understanding what is going on in a particular business… it rarely involves the selection of a representative sample of settings from a known population which would permit the kind of statistical generalisation typical of survey designs. However, this does not preclude some kind of generalisation beyond the specific setting studied”.

According to Yin (1994) there are at least five applications of case studies as this research method can be used to 1) **explain** presumed links in real-life interventions that are too complex for a survey and experimental designs, 2) **describe** an intervention or a real-life context in which it occurred, 3) to **illustrate** topics within an evaluation in a descriptive mode, 4) to **explore** situations in which an intervention has no single set of outcomes, and
5) the case study may be a meta-evaluation, as study of the evaluation study. In the present study, case studies are used to explain, describe, illustrate and explore, i.e. most of these applications apply. Explain and describe are relevant applications because the study aims to say something about the role perception has in network changes (explain) and to understand how a network changes (describe). Further, illustrate is relevant because the study aims to address a complex phenomenon by investigating a defined sample, Finally, explore is relevant because the study is an iterative process.

A way of ensuring credibility in qualitative research is triangulation. Denzin (1988) has distinguished four types of triangulation:

- **Data triangulation** which means using more than one method of data collection. The present study applies interviews, observation, cognitive mapping, tracer studies and secondary sources (see point 6 below for a more detailed description).
- **Observer triangulation** which means using more than one observer in the study. In this case, however, it was not feasible to employ another researcher due to time and economic constraints.
- **Methodological triangulation** which means combining qualitative and quantitative approaches in the same study. However, for the reasons indicated above, the present study is restricted to qualitative approaches.
- **Theory triangulation** which means using multiple theories and perspectives. This is relevant for my research. Although this study is firmly embedded in the research tradition of the network approach to industrial marketing, it also applies the network pictures concept (Ford et al., 2002; Henneberg et al., 2006a), a novel approach in this setting. It draws many of its underlying assumptions from psychology, more specifically Weick’s sensemaking concept (Weick, 1995). This perspective advocates that one must take into account the actor’s or participant’s view of the network when researching a network. In other words: Can we draw a distinction between a real network of actors, resources and activities, and the extent to which a network is a mere representation of the actors’ perceptions of reality?
5. **Focuses on the phenomenon in its context, where the boundaries between the phenomenon and its context are not clear.**

This is particularly relevant for management research. Whitley (1988, 1989) holds that one of the characteristics of managerial tasks is that they are contextual and interdependent. It is therefore difficult to analyse tasks without taking the context into account. For instance, the phenomena researched here is adaptability to changes and the context is international seafood distribution. From the initial study, it is clear that actors are both changing the system and simultaneously coping with changes imposed on them. There is a constant disparity between imposing and adapting to changes (Bryman and Bell, 2003; Ford et al., 2002).

6. **Undertakes multiple methods of data collection.** This is also relevant for the present study. A case study is not a method in itself, but draws on several methods of data collection. This study applies semi-structured interviews and to some extent observation and secondary sources of information such as reports, government statistics and company information. It also uses cognitive mapping and tracer studies to some extent.

**3.3 What data collection methods are employed in this study?**

Here is a brief discussion of the rationale behind the methods:

**3.3.1 Interviews**

Why are interviews suitable for this study? If one wants to look at how actors perceive and respond to changes, a good way to get their opinion is to actually talk to them. Non-participant methods such as observation could have been used instead, but a major constraint of the study is time and space; the sample consists of companies in Norway and Japan. Time and money constrains made it impractical to spend several weeks with Japanese companies, observing and interpreting their business practices.

Bryman and Bell (2003) distinguish between unstructured and semi-structured interviews in qualitative research as opposed to structured interviews in quantitative research. Structured interviews with open-ended questions were seen as an appropriate data collection method. In structured interviews, the main purpose is to maximise reliability and validity of measurements. Answers are short and limited for coding purposes and statistical processing. In qualitative research, however, the focus is on general research ideas and the
interviewee's own perceptions. Interviews often take a different direction, and interviewers depart from initial schedules or interview guides. Follow-up questions are common. Answers are rich and detailed. Unstructured interviews often have one question, and the interview resembles a conversation. In semi-structured interviews, the interviewer has an interview guide covering a set of topics to be probed. Questions are carried out in a similar wording with each interviewee, but the order of questions may be altered during the interview.

Kvale (1996) presents eight useful criteria characterising a successful interviewer:

- **Knowledgeable**: Be familiar with the focus of the interview, meaning that prior to the interview an overview of the salmon business, such as its main actors, history, current trends and future prospects was needed.
- **Structured**: Have a clear structure for the interview, meaning that an interview guide would be helpful.
- **Clear**: Ask simple easy questions, no jargon. This was especially important for the Japanese sample, as their command of English is somewhat limited. Generally, it is important not to offend Japanese by asking questions that put them in an unfavourable position. In Japan it is important to maintain dignity. Loss of face could jeopardise the interview.
- **Sensitivity**: Listen to what is being said and how it is said. This is also essential when dealing with cultural differences.
- **Open**: Respond to what is being said, and be flexible in rearranging the interview guide as the interview progresses.
- **Critical**: Be prepared to challenge any inconsistency of the interviewer. This is particularly delicate for the Japanese sample. Their command of English is limited compared to Norwegian respondents that were allowed to answer questions in their mother-tongue.
- **Remembering**: Relate what is said to what is previously said. It is crucial to take notes during the interview, but this must not alter or slow down the pace and the direction of the interview. A tape recorder might be useful, and is favoured as a good way of getting the full picture and enabling easier transcriptions (e.g. Robson, 2002; Bryman and Bell, 2003). It was decided not to use a tape-recorder during the first round of
interviews (initial study), because this practice may harm the confidence needed to be
built with the interviewees. Especially the Japanese respondents were believed to react
negatively by answering delicate questions about their suppliers with a tape-recorded in
front of them. During the second round of interviews (follow-up study), however,
confidence with the respondents had been built up and it was easier to approach this
issue.

- **Interpreting:** Clarify and extend meanings of the interviewee, without imposing your
own meanings. Again, this is particularly important in the present study where
Japanese managers with varied grasp of English were interviewed. A semi-structured
interview allowed for rephrasing questions in a way that the sample could understand
without altering the intention of the questions.

### 3.3.2 Observation

To some extent this study makes use of ethnography and observation. Ethnography is
defined as the “..extended involvement of the researcher in the social life of those he or she
studies” (Bryman and Bell, 2003, p. 314). During the course of the study, Tsukiji,
certainly Japan’s largest wholesale fish market and perhaps the largest fish market in the
world (Bestor, 2004), has been visited. Here, observations in terms of how the fish are
handled, stored and processed have been made. This has given good knowledge of the
distribution flow in addition to the interviews with participants in the distribution chain. In
the follow-up study, this observation technique was extended to actually following the fish
throughout the whole distribution system and records were made of how the salmon was
treated, what activities were connected, who were involved, etc. This gave a richer picture
and improved understanding in addition to the interviews with key actors. This method
resembles a data collection method called *tracer studies*, where an object is traced
throughout its journey, such as documents within an organisation (Symon, 1994). In this
study, the object is the resource (i.e. the fish), and how it is employed.

### 3.3.3 Cognitive mapping

In cognitive mapping “…managers attempt to model the complexity of their organisational
problems as they see them so that they can be subsequently analysed and solved”
(Easterby-Smith et al., 2002, p. 107). A cognitive map is a powerful way of analysing the
current situation, but also to describe future action and developments. As this study is
concerned with changes in distribution systems, one way of discussing and explaining
these changes is to ask the interviewees to visually draw the distribution flow of salmon and thereby probe about actor bonds, resource ties and activity links. Cognitive mapping resembles the “network pictures” concept which is described in detail in Chapter 5. It represents an intriguing way to obtain knowledge of actors’ perceptions.

As a summary, here is a schematic description of how these data collection methods have been employed throughout the study:

<table>
<thead>
<tr>
<th>Initial study</th>
<th>Follow-up study</th>
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<tbody>
<tr>
<td>• Case study</td>
<td>• Case study</td>
</tr>
<tr>
<td>• Secondary data such as official statistics and company reports</td>
<td>• In-depth semi-structured personal interviews</td>
</tr>
<tr>
<td>• In-depth semi-structured personal interviews</td>
<td>• Tracer studies of salmon</td>
</tr>
<tr>
<td></td>
<td>• Personal observations</td>
</tr>
</tbody>
</table>

Fig. 3.2: Data collection methods used throughout study

This chapter has presented a discussion of the various methodological approaches to this thesis and the rationale behind applying them. Chapter 4 will now present the results from the initial study.
Chapter 4: Initial study of Norwegian-Japanese distribution networks

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<th>Content</th>
<th>Purpose</th>
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</tr>
<tr>
<td>Ch. 2 Literature review</td>
<td>• Describe how change is discussed in general marketing channel literature and industrial network literature</td>
</tr>
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<td></td>
<td>• Introducing Model 1 and initial research question</td>
</tr>
<tr>
<td>Ch. 3 Methodology and research design</td>
<td>• Explain rationale for chosen research design</td>
</tr>
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<td>Ch. 4 Initial study</td>
<td>• Presenting first study of Norwegian-Japanese business relationships</td>
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<td></td>
<td>• Findings indicate Model 1 is inadequate</td>
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<td></td>
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<td>Ch. 5 The role of perceptions</td>
<td>• Literature review of the interface between perception and action</td>
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<td></td>
<td>• Model 2 and Model 3 introduced and discussed</td>
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<td>Ch. 6 Arriving at a conceptual model for analysing network change</td>
<td>• Model 3 tested on data from follow-up study and found inadequate</td>
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<td></td>
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<td>Ch. 7 Follow-up study</td>
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<td>Ch. 8 Inter-case analysis</td>
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<td>Ch. 9 Contributions and implications</td>
<td>• Contributions to theory, methodology and management practice</td>
</tr>
<tr>
<td>Ch.10 A reflective account</td>
<td>• Evaluation in terms of a reflective account of the study, discussing its limitations</td>
</tr>
</tbody>
</table>

4.1 Introduction

This chapter presents findings from the initial study undertaken in 2006, analysing networks where Norwegian and Japanese seafood companies interact. It gives detailed accounts of the companies included in the sample, export statistics, competition, macro-economic figures, etc. A rich presentation of the two major ways to market is presented; the traditional distribution system (the fish market) and emerging direct distribution is also presented. Major changes within these distribution systems and how actors cope and adapt to these changes are then discussed in terms of the network approach with particular reference to actor bonds, resource ties and activity links (Håkansson and Snehota, 1995).

Towards the end of the chapter, a model for analysing network change is introduced, and some of the major changes evident from this study is analysed in terms of the model. On this basis, given the iterative approach used, revised research questions are put forward.
4.2 Methodology

The Norwegian sample was identified by crosschecking information from preliminary discussions with key actors in the seafood industry and official Norwegian export statistics. At the time of study, the sample had a 69% share of salmon export volumes to Japan. This indicates that it is the main actors which are identified. The Japanese sample was identified by information given during the interviews with the Norwegian suppliers in May 2006. Each of the five exporters was asked to name their main customer in Japan, and these companies were subsequently approached. This resulted in a Japanese sample consisting of seven respondents out of approximately 20 large Japanese importers. These were interviewed in Tokyo in November 2006.

In preparation for the interviews, an interview guide was created which covered the areas that needed investigation. The interview guide was based on the *NewMark Data collection interview guide* (see appendix A) developed and refined by researchers connected to the NewMark Project at the Norwegian School of Management (see appendix B), a research project firmly grounded within the industrial network approach (Håkansson et al., 2005). The NewMark interview guide was developed for the same purpose as the present study; to analyse how relationships are managed in networks. Some questions about cultural differences and the role of the Norwegian Seafood Export Council were added. Here are the main issues that were focused upon during the interviews:

- Company information
- Japanese sales of total salmon and trout production
- Type of customers
- Relationship duration
- Interdependence of actors
- Adaptations (resources, activities)
- Learning
- Contact patterns
- Conflict/cooperation
- Technological development
- Power/dependency
- Main problem areas
• Distribution strategy
• The role and functions of various distribution levels
• Overview and knowledge of Japanese consumers
• The role of cultural differences
• The role of Norwegian Seafood Export Council

Each interview lasted between 1.5 and 2 hours. The interviews in Norway were conducted in Norwegian and interviews in Japan were conducted in English. No interpreter was used because all the respondents used English as their business language. Written notes were taken during the interviews, and transcriptions were made immediately after each interview to ensure “freshness” of the data. On a few occasions respondents were contacted a second time to clarify content and meaning.

Here follows a presentation of the sample.

4.3 The focal actors: Norwegian exporters

The sample represents the largest seafood exporters in Norway, and top level management of each organization have been interviewed (table 4.1):

<table>
<thead>
<tr>
<th>Type of company</th>
<th>Turnover 2005 (NOK)</th>
<th>Share of N. exports to Japan</th>
<th>Ranking Top 100</th>
<th>Key respondent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Salmon,</td>
<td>1 969 000</td>
<td>13%</td>
<td>6</td>
<td>Sales director + Key account manager, Japan</td>
</tr>
<tr>
<td>Farmer, processor, exporter</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supreme Seafood</td>
<td>3 000 000</td>
<td>17%</td>
<td>4</td>
<td>Trade and development manager + KAM</td>
</tr>
<tr>
<td>Farmer, processor, exporter</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway Salmon</td>
<td>4 014 454</td>
<td>18%</td>
<td>2</td>
<td>Team manager, Asia</td>
</tr>
<tr>
<td>Farmer, processor, exporter</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rocky Coast</td>
<td>3 874 773</td>
<td>13%</td>
<td>3</td>
<td>Sales unit manager, fresh dept. Asia</td>
</tr>
<tr>
<td>Farmer, processor, exporter</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Royal Trading,</td>
<td>1 448 000</td>
<td>8%</td>
<td>9</td>
<td>Sales manager frozen dept. + sales manager</td>
</tr>
<tr>
<td>Trader, processor, exporter</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norwegian Seafood Export Council</td>
<td></td>
<td></td>
<td></td>
<td>Head of Japan office</td>
</tr>
</tbody>
</table>

Table 4.1: The Norwegian sample

1) The words “Supplier” and “Exporter” are used interchangeably in this paper. Likewise “Customer” and “Importer” are used interchangeably
2) Source: ”100 largest Norwegian seafood companies”, (Norsk Fiskerinæring, 2006)
3) Sample holds 69% market share of salmon exports to Japan (2005 data)

The five exporters in the sample are multinationals with farming, processing and trading operations around the world. Royal Trading is classified as a “trader”. It does not have its
own farming facilities, but cooperates closely with a number of farmers. These farmers sell the majority of their fish to Royal Trading. Royal Trading has recently established its own processing plant. The turnover of the sample is quite impressive, as featured in the above table. All exporters except Global Salmon, which has undergone a major restructuring operation, have increased their turnover from 2004 to 2005.

Regarding the sample’s salmon exports to Japan out of total Norwegian salmon exports, the export volumes are more or less evenly divided between the five companies. Supreme Seafood has the largest market share of 17%. Royal Trading has the smallest percentage. Together, the sample holds 69% market share out of a total of over 150 exporters of salmon to Japan (table 4.2):

<table>
<thead>
<tr>
<th>Company</th>
<th>Samples total salmon exports in 2005 (tons) 1)</th>
<th>Samples salmon exports to Japan in 2005 (tons) 1)</th>
<th>Japan exports as % of total exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Salmon</td>
<td>40 000</td>
<td>4 000</td>
<td>10%</td>
</tr>
<tr>
<td>Supreme Seafood</td>
<td>20 000</td>
<td>4 000 – 6 000</td>
<td>20 – 30%</td>
</tr>
<tr>
<td>Norway Salmon</td>
<td>54 000</td>
<td>5 000 – 6 000</td>
<td>10%</td>
</tr>
<tr>
<td>Rocky Coast</td>
<td>25 000</td>
<td>4 000</td>
<td>16%</td>
</tr>
<tr>
<td>Royal Trading</td>
<td>30 000</td>
<td>2 500</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Total in sample</strong></td>
<td><strong>169 000</strong></td>
<td><strong>19 500 – 22 500</strong></td>
<td></td>
</tr>
<tr>
<td>Total Norwegian salmon exports</td>
<td>414 011 2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Norwegian Salmon exports to Japan</td>
<td>30 240 2)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4.2: Sample’s salmon exports to the world market
Source: 1) Figures obtained from interviews with key personnel 2) Norwegian Seafood Export Council (NSEC) /Statistics Norway (SSB). See also tables 4.3 and 4.4

The figures in table 4.2 indicate that the Japanese market represents between 8% (Royal Trading) and 30% (Supreme Seafood) of total exports in our sample (mean:15%). Note also that the volumes exported to Japan are relatively equal between the producers.
There are currently 164 registered exporters of salmon and trout in Norway (NSEC, 2006) but the market is dominated by a few large suppliers. For instance, Bjørndal, et al. (2003) found that the four largest salmon producers in Norway accounted for 28% of total exports. Of these 164 Norwegian exporters, 153 are listed as exporting to Japan. The majority of these companies are exporters of modest quantities. They are traders, and do not have their own farming and processing facilities. According to table 4.3, Norwegian exports of salmon to the world market (fresh and frozen combined), amounted to 414 011 tons in 2005 and the present sample accounted for 40% of total exports that year.

This assumption is further strengthened if we look at export figures. Norwegian salmon exports to Japan in 2005 amounted to 30 240 tons (see table 4.4). The present sample of five exporters represents 19 500 – 22 500 of these exports, i.e. between 64 and 74% (mean: 69%).

**Table 4.3: Total Norwegian salmon and trout exports to the world market.**
(Source: NSEC/SSB, 2006)

<table>
<thead>
<tr>
<th></th>
<th>2005 (tons)</th>
<th>2004 (tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fresh salmon</td>
<td>379 072</td>
<td>338 508</td>
</tr>
<tr>
<td>Frozen salmon</td>
<td>34 939</td>
<td>42 237</td>
</tr>
<tr>
<td><strong>Total Norwegian salmon exports</strong></td>
<td><strong>414 011</strong></td>
<td><strong>380 745</strong></td>
</tr>
<tr>
<td>Fresh trout</td>
<td>15 264</td>
<td>11 788</td>
</tr>
<tr>
<td>Frozen trout</td>
<td>9 147</td>
<td>11 087</td>
</tr>
<tr>
<td><strong>Total Norwegian trout exports</strong></td>
<td><strong>24 411</strong></td>
<td><strong>22 875</strong></td>
</tr>
</tbody>
</table>

There are currently 164 registered exporters of salmon and trout in Norway (NSEC, 2006) but the market is dominated by a few large suppliers. For instance, Bjørndal, et al. (2003) found that the four largest salmon producers in Norway accounted for 28% of total exports. Of these 164 Norwegian exporters, 153 are listed as exporting to Japan. The majority of these companies are exporters of modest quantities. They are traders, and do not have their own farming and processing facilities. According to table 4.3, Norwegian exports of salmon to the world market (fresh and frozen combined), amounted to 414 011 tons in 2005 and the present sample accounted for 40% of total exports that year.

This assumption is further strengthened if we look at export figures. Norwegian salmon exports to Japan in 2005 amounted to 30 240 tons (see table 4.4). The present sample of five exporters represents 19 500 – 22 500 of these exports, i.e. between 64 and 74% (mean: 69%).

<table>
<thead>
<tr>
<th></th>
<th>2005 (tons)</th>
<th>2004 (tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Norwegian salmon exports 1) 2)</td>
<td>30 240 1)</td>
<td>35 846</td>
</tr>
<tr>
<td>Fresh Atlantic salmon</td>
<td>20 056</td>
<td>22 111</td>
</tr>
<tr>
<td>Frozen Atlantic salmon</td>
<td>11 823</td>
<td>19 511</td>
</tr>
<tr>
<td>Total Norwegian trout exports 1)</td>
<td>13 764</td>
<td>24 670</td>
</tr>
<tr>
<td>Fresh Trout</td>
<td>1 062</td>
<td>1 140</td>
</tr>
<tr>
<td>Frozen Trout</td>
<td>9 852</td>
<td>18 227</td>
</tr>
</tbody>
</table>

Table 4.4: Norwegian salmon and trout exports to Japan
Source: 1) Total exports of salmon and trout includes all types of exports such as fresh, frozen, processed, filets, etc. 2) NSEC/SSB (2006).

**4.4 The focal actors: Japanese importers**

All Japanese companies in the sample are licensed importers of seafood to Japan. It is illegal to import seafood to Japan without a license from the Japanese authorities. Hence,
imports are restricted to a small number of companies. From initial discussions with people in the industry there appear to be about 20 importers of salmon in Japan and seven of these are included in the Japanese sample featured in table 4.5 below:

<table>
<thead>
<tr>
<th>Company</th>
<th>Type of business</th>
<th>Key respondent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Karatsu Co. Ltd.</td>
<td>Importer, wholesaler, trader</td>
<td>General Manager, int. trade and marketing dept.</td>
</tr>
<tr>
<td>GMC Inc.</td>
<td>Importer, trader (sogo sosha)</td>
<td>Manager, seafood dept.</td>
</tr>
<tr>
<td>Hoshituchi Corporation</td>
<td>Importer, trader (sogo sosha)</td>
<td>Manager of marine products</td>
</tr>
<tr>
<td>Tokyo Fisheries Corp.</td>
<td>Importer, wholesaler, trader</td>
<td>Deputy general manager, overseas department</td>
</tr>
<tr>
<td>K-trade</td>
<td>Importer, trader</td>
<td>President</td>
</tr>
<tr>
<td>Kato Marine Products</td>
<td>Importer, trader, processor</td>
<td>President</td>
</tr>
<tr>
<td>Global Salmon Japan</td>
<td>Importer, trader, sales subsidiary</td>
<td>Managing director</td>
</tr>
</tbody>
</table>

Table 4.5: The Japanese sample

The Japanese sample was identified during previous interviews with the five major Norwegian seafood exporters. Several of the companies in the sample are large corporations and important actors in the Japanese seafood business, but they also differ on various accounts. Here is a brief description of each company:

**Karatsu** is a licensed wholesaler on the central wholesale markets in addition to being an importer. It owns and has close cooperation with processing plants. In total, Karatsu is represented in more than 40 fish markets. Established in 1947 Karatsu is part of the Maruha Corp. which originally was a large Japanese fishing corporation with its own fishing fleet. Maruha acquired Karatsu in order to get access to a wholesale network. Turnover in 2005 was 161 billion yen.

**GMC Inc.** is an importer and trader. It was established 30 years ago and is today one of Japans traditional *sogo soshas*, i.e. traditional Japanese trading houses that deal in all kinds of imported goods. GMC was established by two of Japans leading retail chains, Aeon and Izumiya. Recently Aeon was partly acquired by Wal-Mart.

**Hoshituchi Corp.** is also a traditional Japanese trading company. It has been in the seafood business for over 40 years. Hoshituchi deals mainly in frozen salmon which is processed in China by an affiliate company before entering the Japanese market.
Tokyo Fisheries Ltd. was established 35 years ago. It was originally a traditional Japanese fishing company. Eight years ago it merged with Tsukiji Uoichiba, which is a licensed wholesaler on the central wholesale markets.

K-Trade Inc. is in this respect a small, family owned business. It is an importer and a trader, but has been in the seafood business for over a generation.

Kato Marine Products Co. Ltd. is also a small company compared to the large sogo soshas. Its turnover in 2005 was 3 bill. Yen. It is family owned. Kato regards itself as one of the top 5 importers of Norwegian salmon, and is also regarded in the industry as the company which introduced fresh Atlantic salmon to the Japanese market. Besides an importer and trader, Kato has its own processing facilities for cutting and packing. It also own a processing plant which produces smoked and marinated seafood products. It has been in the seafood industry for over 30 years.

Global Salmon Japan is in some ways different to the rest of the sample. It was established in 2001 by Global Salmon Norway who wanted to get a stronghold by setting up its own import company in Japan. At that time, Global Salmon Norway was selling to a number of Japanese customers. Today, Global Salmon Norway sells its fish to Global Salmon Japan, but also to other importers. Global Salmon Japan buys all its fish from Global Salmon. It is partly owned by its managing director.
4.5 Current import volumes

<table>
<thead>
<tr>
<th>Company</th>
<th>Imports volume 2005 (tons)</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Karatsu Co. Ltd.</td>
<td>3 000</td>
<td>Fresh and frozen</td>
</tr>
<tr>
<td>GMC Inc.</td>
<td>300</td>
<td>Mainly fresh</td>
</tr>
<tr>
<td>Hoshituchi Corporation</td>
<td>0 *)</td>
<td>Frozen</td>
</tr>
<tr>
<td>Tokyo Fisheries Fisheries Corp.</td>
<td>2 300</td>
<td>Fresh</td>
</tr>
<tr>
<td>K-trade Inc.</td>
<td>1 200</td>
<td>Fresh</td>
</tr>
<tr>
<td>Kato Marine Products</td>
<td>1 000</td>
<td>Fresh</td>
</tr>
<tr>
<td>Global Salmon Japan</td>
<td>2 000</td>
<td>Fresh</td>
</tr>
</tbody>
</table>

Table 4.6: Import volumes of Norwegian salmon.
*) Hoshituchi Corp. did not import salmon from Norway in 2005. 2004 imports were 400MT.

The Japanese importers bought between 300 and 1000 tons of Norwegian salmon in 2005 (see table 4.6 above). The sample has the same picture regarding current import volumes as the Norwegian exporters do: Imports of Norwegian salmon to the Japanese market is low compared to what is used to be. The sample describes a steady decline in import volumes from Norway, whereas European markets are increasing their volumes. The sample explains that export volumes from Norway are declining because the Japanese economy has not yet recovered from the recession that hit Japan in the 1990s, and Japanese consumers cannot afford Norwegian salmon. Import price at present is 700 yen per kilo. When Norwegian salmon was introduced to the Japanese market, the price was 1500 yen per kilo. But then Japanese consumers had greater buying power. The Japanese importers explain that other markets are more interesting to the Norwegian exporters at present such as emerging markets in Russia and China, and established markets in Europe. These markets are prepared to pay more for Norwegian salmon.

4.6 The traditional fish market system

There are mainly two distribution systems for salmon in Japan. One is via the traditional multi-layer system where the fish markets play an important role. This system is rigid, and has many middlemen. The other system may take various shapes, but the common denominator is that it consists of fewer, but larger actors and is challenging the traditional system.

In Japan seafood has traditionally been distributed through the various fish markets where Tokyo, Osaka and Fukuoka are the main actors. From our interviews, it appears that 80-
90% of all salmon in Japan is sold through this traditional distribution system. The fish markets have traditions dating back hundreds of years. For instance, the Tsukiji market in Tokyo is believed to be established in 1590 (Bestor, 2004).

Markets are well organised and have been granted privileges by the authorities. Nationwide, there are 54 central wholesale markets and more than 700 regional wholesale markets divided into production region markets (upstream) and consumption regional markets (downstream). Central wholesale markets are governmental operated. Production region markets are operated by local fisheries cooperatives, whereas consumption regional markets are operated and owned by private companies. This market structure is not merely used for distributing seafood. In the Tokyo area, for instance, the Tokyo Metropolitan Government has established 11 central wholesale markets, of which three are handling fish. There are three large central wholesale markets in Japan, Tokyo, Osaka and Fukuoka. In addition there are a range of 40 medium sized fish markets. In all, there are around 800 wholesale fish markets around Japan (Bestor, 2004). The Tsukiji market in Tokyo is of special interest as it is regarded as the largest fish market in the world. Some figures which show its magnitude (Bestor, 2004): The Tsukiji market handles approximately 2400 tons of fish worth about US$20m every day, one third of the fish is fresh, one third is frozen and one third is dried and in other forms. It features more than 450 species of fish, and represents around 15% of Japan’s tonnage of fresh and frozen fish. Around 14 000 people work at the market every day and the market attracts 35 000 buyers every day.

Fig. 4.1: Layout of the Tsukiji Market.
(Source: Karatsu Company information)

There are seven authorised wholesalers or auction houses at Tsukiji. Five which handle all kinds of seafood, and two specialising in dried and salted products. These are licensed
wholesalers receiving their permission from the Ministry of Agriculture, Forestry and Fisheries (see fig. 4.1 for a layout of the Tsukiji).

The Tsukiji is a lively place. According to Bestor (2004, p. 9) “each morning, at a dozen separate auctions for hundreds of distinct varieties of seafood, crowds of traders – most representing small, family owned firms – bid fiercely against one another in arcane hand gestures and venerable semisecret codes. As the auction ends, workers wielding gaffs and handcarts haul gigantic tuna carcasses and crates of dried sardines, tubs of sea bream and trays of octopus across the wet cobblestones to the long end of sheds that house the markets 1677 stalls. Each is presided over by a counting house little larger than a telephone booth, where cashiers use abacuses, calculators and laptop computers to keep abreast of shouted orders from salespeople serving the chefs, retailers and supermarket buyers who roam the markets crowded aisles”.

4.6.1 Ways to conceptualise the distribution system

There are several conceptualisations of the seafood networks like Tsukiji. Bestor (2004) gives a detailed account of the distribution flow (see fig 4.2 below). Square boxes are actors and rounded boxes are activities. In his representation, seafood enters the market from domestic and foreign producers, shippers, brokers or trading companies. Seafood is then handled by one of the seven auction houses or wholesalers at Tsukiji. From here the seafood can take two routes; either sold directly to intermediate wholesalers, or to authorised buyers at live auctions. It is then sold to two main segments; trade buyers like restaurants and retailers, or larges scale buyers (fig 4.2):
Karatsu, one of the seven wholesalers licensed to operate at Tsukiji, has also attempted to explain the distribution flow (fig. 4.3 on next page). This is a simplified version of the distribution flow, but in general it features the same type of actors as Bestor (2004).
However, when asked to describe the distribution flow, the respondents describe a picture which suggests a combination of directions seafood may take. Based on the interviews with the Norwegian and Japanese respondents, this distribution network can be represented as in fig. 4.4 below:

Here, the Norwegian exporter sells the fish to a Japanese importer, and is transported to Japan by airfreight. The Japanese importers are mainly traders reselling the fish to primary wholesalers, or large primary wholesalers who have an import licence. From the primary wholesaler the fish takes a number of routes. The most common is to the secondary wholesalers at the large fishmarkets (picture 4.1). From here the fish is sold to retailers (picture 4.2) or restaurants (picture 4.3). Sometimes a processor is used as an intermediary.
by the secondary wholesaler. The fish may also be sold directly to restaurants and restaurants by the primary wholesaler, or sometimes via a processor.

Picture 4.1: Intermediate wholesalers at the Tsukiji fish market (All photos by author)

Picture 4.2: Seafood department at a Tokyo department store

Picture 4.3: Seafood selection at Tokyo restaurant

The interdependence of the actors in the traditional fish market system in terms of the actor bonds, resource ties and activity links will now be analysed.
4.6.2 Actor bonds and relationship duration

The relationships in general go a long way back with an average of 13 years (according to the Japanese respondents) and 16 years (Norwegian respondents). The majority of relationships were initiated by the Japanese importers (see table 4.7 on next page). Karatsu, for instance, had a relationship to Norwegian seafood suppliers even before fish farming became an industry in Norway. Karatsu bought Greenland shrimps and kipling from Norwegian suppliers, and quoted them for Atlantic salmon when the demand for this species took off in Japan.

Hoshituchi tells a similar story; they approached Norwegian suppliers 15-20 years ago because they wanted access to their resources.

<table>
<thead>
<tr>
<th>Company</th>
<th>Duration of relationship with N. suppliers (years)</th>
<th>On who’s initiative?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Karatsu Co. Ltd.</td>
<td>20</td>
<td>Built on existing relationships with other seafood products</td>
</tr>
<tr>
<td>GMC Inc.</td>
<td>5-6</td>
<td>Introduced by the NSEC</td>
</tr>
<tr>
<td>Hoshituchi Corporation</td>
<td>15-20</td>
<td>Importers initiative to gain access to salmon</td>
</tr>
<tr>
<td>Tokyo Fisheries Corp.</td>
<td>8</td>
<td>Importers initiative to gain access to salmon</td>
</tr>
<tr>
<td>K-trade Inc.</td>
<td>15</td>
<td>Suppliers initiative, but had existing relationships with Norwegian seafood industry</td>
</tr>
<tr>
<td>Kato Marine Products</td>
<td>25</td>
<td>Importers initiative to gain access to salmon</td>
</tr>
<tr>
<td>Global Salmon Japan</td>
<td>5</td>
<td>Suppliers initiative, but built on existing market position in Japan</td>
</tr>
</tbody>
</table>

Table 4.7: Initiation and duration of relationships

Kato is commonly regarded as the company which introduced fresh salmon to the Japanese market. At first, raw salmon was not seen as suitable for sushi/sashimi purposes in Japan. Until the beginning of the 1980s, fresh salmon was wild and contained parasites. But when farmed salmon was introduced, this was free of parasites, and hence more suitable for sushi. At first, Japanese cooks working for French restaurants were introduced to using fresh Atlantic salmon raw. In the French cuisine, raw salmon is used for tartar, etc. Top restaurants in Japan had this on their menu, prepared by Japanese chefs. Some of these chefs branched out on their own to establish their own Japanese style sushi restaurants. These were high end of the market. Being innovative and looking for new ways for
preparing sushi, they started to successfully experiment with raw salmon, placing orders with Kato and building on their existing relationship for other types of seafood. Kato in turn approached its Norwegian suppliers for fresh Atlantic salmon. The trend spread to other high-end restaurants, hotels and sushi shops. These again approached their Japanese importers, which again placed orders with a growing number of Norwegian suppliers that were attracted to the industry. Then more downmarket restaurants started to use it. The media started to take interest and promoted the trend. “Little by little the trend penetrated through the system. This was not our aim, but it happened”, Kato says. Another factor contributing to the introduction was the sushi kaiten restaurants. The kaiten is a kind of conveyor belt that transports the sushi around the bar in the restaurant. This innovation made sushi affordable for a larger public and brought sushi closer to the customer. A third factor contributing was that the price of salmon fell due to increased production volumes and more restaurants could afford to have it on the menu. Further, the Yen strengthened against the NOK, and prices fell even more. This further implied larger volumes.

4.6.3 Investment in the relationship: Presence in Japan

The relationships are characterised by a relatively small number of people in Norway handling the daily business activities with the Japanese. Rocky Coast has only one representative taking care of daily business activities, whereas Norway Salmon employs a department of 6-7 people in Norway. Their representation in Japan is varied; two companies have established their own import company, one has a small liaison office, and two have no representation in Japan (table 4.8):

<table>
<thead>
<tr>
<th>Company</th>
<th>No of years in Japan</th>
<th>No. of people in Norway dedicated to Japan</th>
<th>Office in Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Salmon</td>
<td>10</td>
<td>2</td>
<td>Yes, 2 people</td>
</tr>
<tr>
<td>Supreme Salmon</td>
<td>25</td>
<td>2</td>
<td>Yes, 13 people</td>
</tr>
<tr>
<td>Norway Salmon</td>
<td>20</td>
<td>6-7</td>
<td>Yes, 1 person</td>
</tr>
<tr>
<td>Rocky Coast</td>
<td>16</td>
<td>1</td>
<td>No</td>
</tr>
<tr>
<td>Royal Trading</td>
<td>12</td>
<td>2</td>
<td>No</td>
</tr>
</tbody>
</table>

Table 4.8: Presence in Japan

**Global Salmon** has an office in Tokyo which imports their fish to Japan. This company is partly owned by local management. Global Salmon Norway also uses other Japanese seafood importers. This arrangement is a remnant from when Global Salmon first entered the Japanese market. At the time, they tried to establish their own distribution network but
this attempt failed. They have kept their Japanese import company, in addition to links with established Japanese importers.

**Supreme Seafood** has also set up its own import company. It has a large representation in Japan and is known as the supplier that has achieved considerable control of their distribution channels. Their Japanese office handles most of the business with Japanese importers, and their Norwegian sales office has limited contact with their customers in Japan.

**Norway Salmon** has decided to handle the relationship with their Japanese customers from their head office in Norway. Their Japan office is a mere liaison office with two employees. Norway Salmon does not want to compete with its Japanese importers by setting up its own import company like Global Salmon and Supreme Seafood has done.

**Rocky Coast** and **Royal Trading** do not have an office in Japan. They don’t want to be seen as competing with their Japanese importers.

### 4.6.4 Number of actors

The exporters sell to a limited amount of Japanese customers (see table 4.9 next page). In recent years, there has been a restructuring among the Japanese seafood importers. Previously, the industry was characterised by a large number of importers and traders. Due to the recession several importers went bankrupt or they simply withdrew from the industry leaving a small number of more stable importers. Exporters explain that they deliberately reduced the number of customers to a minimum. They rather want to invest in relationships with few customers, than having several smaller customers who “shop around” for the best quotes.
Table 4.9: Number of customers in Japan

<table>
<thead>
<tr>
<th>Company</th>
<th>Number of customers in Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Salmon</td>
<td>4 major customers</td>
</tr>
<tr>
<td></td>
<td>(of 20 in total)</td>
</tr>
<tr>
<td>Supreme Salmon</td>
<td>3-4 major customers</td>
</tr>
<tr>
<td></td>
<td>(of 10-12 in total)</td>
</tr>
<tr>
<td>Norway Salmon</td>
<td>10-12</td>
</tr>
<tr>
<td>Rocky Coast</td>
<td>4</td>
</tr>
<tr>
<td>Royal Trading</td>
<td>5</td>
</tr>
</tbody>
</table>

The importers share a similar picture (table 4.10). They have limited their purchases to a small number of dedicated Norwegian suppliers. Global Salmon only buys from Global Salmon Norway, whereas Tokyo Fisheries buys from 4-5 major suppliers:

Table 4.10: Number of Norwegian suppliers

<table>
<thead>
<tr>
<th>Company</th>
<th>Number of Norwegian suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Karatsu Co. Ltd.</td>
<td>5</td>
</tr>
<tr>
<td>GMC Inc.</td>
<td>2-3</td>
</tr>
<tr>
<td>Hoshituchi Corporation</td>
<td>-</td>
</tr>
<tr>
<td>Tokyo Fisheries Fisheries Corp.</td>
<td>4-5</td>
</tr>
<tr>
<td>K-Trade Inc.</td>
<td>2</td>
</tr>
<tr>
<td>Kato Marine Products</td>
<td>3</td>
</tr>
<tr>
<td>Global Salmon Japan</td>
<td>1</td>
</tr>
</tbody>
</table>

The importers argue that they buy from several suppliers to avoid becoming too dependent on one supplier. They also need to secure a stable supply. As one respondent put it: "An importer needs to balance off the supply for fresh salmon by securing supplies from more than one supplier. What if there are delays and we have sold a quantity of salmon to one of our customers? We need to be sure that we can deliver. Therefore, we need to have more than one supplier of salmon. We must have a balance and in this way reduce risk.” Price is also a vital issue. It is common to get price quotes from several exporters. One respondent argue: “We get better terms and price quotes if we have more than one supplier. For instance, when $X$ raised their price, we switched to $Y$.” Suppliers are believed to specialise in their respective areas: "There is a difference between the farmers, and we have selected them based on their specialities. $X$ for instance is best on trout. $Y$ is best on salmon. And we are discussing a lot with $Z$. They are trying to adjust to our requests”, one respondent claims.
4.6.5 Relationship structure: contracts, negotiations and terms

Fixed contracts and written contracts are rare. Contracts are mainly based on trust and experience from long and well-established business relationships.

Salmon is usually based on the spot market price negotiated on a weekly basis. Volumes are generally stable. An average order is 2-3 tons. Importers say that they closely monitor what they think they can sell before placing the order with the Norwegian exporters. If they get less fish than anticipated, they are in trouble with their customers. Therefore it is important to guarantee stable supplies. At the same time, if they sell less fish than anticipated, they have to sell the remaining volumes at a bargain, and hence lose profits. So this is a tight game. As one respondent put it: “We always know the correct volume when we order. This is based on our anticipation of the market. We have confidence that we can sell what we have ordered. Tuesday we order for arrival the following Sunday. This is sold on Monday, Tuesday and Wednesday. On Friday we order for the arrival on Wednesday, and this is sold on Thursday Friday and Saturday. This ensures a steady supply of salmon during the week. We buy between 300 and 500 boxes a week. An average order is 280 boxes of salmon.” Risk monitoring seems to be a determining factor as the system is predictable.

Actors are in daily contact with each other, at least on a weekly basis. But meetings are rare. Some will meet every other month, sometimes only once or twice a year. Meetings take place in Japan and Norway.

4.6.6 Relationship atmosphere

The atmosphere in the relationships investigated is marked by commitment, trust, adaptability and dependency:

The Japanese are viewed as stable and loyal, dedicated to maintaining the relationship. Despite the current decline in Japanese demand for fresh and frozen salmon, the exporters are dedicated to remaining in the Japanese market. There are several reasons for this: They know the market well from long-established business relationships, they have invested a great deal of resources in the relationships, and they regard the Japanese as trustworthy and dependable and committed customers. An exporter explained that one of his customers had gone to great lengths to buy Norwegian fish even when the price started to rise and became
too expensive. His Japanese customer told him what he really wanted was fish from Norway, but now was forced to go elsewhere. Even though he was buying considerably fewer quantities, he kept calling his Norwegian contact buying small quantities of fish just to maintain the relationship, the supplier explained. “The Japanese take their business relationship very seriously. It is troublesome for them that we now supply quantities”, he argued.

Another reason for the Norwegian persistency is the suppliers’ belief that the current downfall in exports will improve. They expect Chilean salmon and trout prices to increase in the near future because of diseases amongst the fish stock. This reduces the quality of Chilean fish, and Norwegian fish has always been regarded as superior quality to Chilean fish. Therefore, it is important to be positioned when the demand rises again some time in the future.

Similarly, the Norwegian suppliers are regarded as trustworthy and dependable. One importer says that “They know the fish business industry well, better than others. They are an honest company. We trust them, both the company and the people who work there. We need to be open with them and share information.” Another tells a similar story: “We have contact about twice a week. They also have an office here that we are in contact with. We have a good relationship with them. We trust them. We trust the company but also our contact person. We can rely on him. All in all, we have to take information from him for granted. It is all a matter of trust. The personal relationship is very important”. And in the words of a third customer: “We keep a good relationship with them. We trust them. They are our friends.”

Cultural differences appear to have less impact. Several exporters claim that the role of cultural differences between Norway and Japan are overstated. Today, many of their customers have been to Europe; they have studied and worked there. Japan is becoming increasingly “westernised”. Likewise, Norwegian exporters have gone to great lengths in order to learn and adapt to the Japanese culture. There are apparent differences, but their importance is diminishing. Norwegian exporters place great importance on having a close personal relationship with their customers and they frequently meet in person. Likewise, they are invited to the homes of their customers. This was unusual some years ago. The Japanese are often invited to Norway, and are well taken care of.
These business relationships go a long way back and the actors trust each other. Unwritten contracts are an example of this. They are also committed to the relationship. Even though the importers play around with several exporters, their negotiations are limited to the biggest suppliers of Norwegian salmon. The relationships seem close in terms of daily business contacts, but distant in terms of regular meetings.

It seems that the contact the exporters have with the traditional Japanese seafood distribution system stops at the importer. Suppliers are dependent on the relationship with the importer to get access to the Japanese market. Rarely do we see that exporters negotiate terms with more distant actors in the distribution network. The exporters have only limited presence in Japan in terms of offices; the relationships are mainly handled from their offices in Norway. Two exporters have set up their own import companies, but they are still dependent on the Japanese wholesalers in order to get access to the Japanese fish markets. Thus, one may argue that in this traditional distribution network, the actor bonds are strong between the exporters and the importers, and weaker between the exporters and more distant actors in the distribution network.

4.6.7 Activity links

Fresh salmon is shipped to Japan by air on a weekly basis. Frozen salmon is shipped in containers by sea. Norway Salmon was the first Norwegian company to start with weekly chartered flights to Tokyo. Today they send off two shipments per week, solely with Norway Salmon products. Rocky Coast has four shipments per week. The majority of cargo on board is salmon from Rocky Coast. Other Norwegian exporters occupy the remainder. Free space is sold via an agent in Oslo. Rocky Coast established this practice eight years ago. Airfreights have come as a result of the demand for fresher salmon. But it is a costly arrangement, and the low volumes of fresh salmon currently sold, have prompted some exporters to question the future of this practice. Salmon is packed in crates bearing the exporter’s name, or the importer’s name if he wishes. Rocky Coast for instance has two customers who buy salmon with the Rocky Coast brand, and the other two use their own private brand. One of the customers, Mitsubishi, has a brand called Sensei Seafood. Hence, salmon shipped to Mitsubishi bears Sensei Seafood on the crate.
In Japan, the fish arrives at seafood markets such as the Tsukiji, traditionally by sea but increasingly by transport from the airport. Fish is sold by auction between 05.00 and 07.00 from wholesalers to intermediate wholesalers. After the auction, the intermediate wholesalers bring the seafood to their stalls in the market and lay it out for sale. There are about 3800 intermediate wholesalers in Japan, each licensed to operate in the market. Roughly 900 intermediate wholesalers operate in Tsukiji. Such intermediate wholesalers are often small, family run companies.

The seafood is then sold to fish dealers, supermarkets, retail chains and restaurants, and to licensed buyers that sell to the categories mentioned above. Then, the fish is transported to the various destinations by small trucks, lorries and even mopeds (picture 4.4.). This ensures that the fish is available at the counter or at the restaurant table later in the morning or in the afternoon. On average 36 000 such buyers come to Tsukiji every day. According to Bestor (2004, p. 189), “the major transaction at Tsukiji takes place between intermediate wholesalers and their customers including retail fishmongers, sushi chefs, restauranteurs, secondary wholesalers, peddlers, caterers and lunch-box makers”. Retailers and supermarkets may buy the fish directly from the wholesalers if they are licensed as authorized buyers by the authorities. In this case, the fish will not end up at the market stalls of the intermediate wholesalers, but is shipped directly to the customers by truck.

It appears that even though there is a clear chain of activities from when the salmon is caught in the Norwegian fjords to when it arrives on the counter of a Japanese retail store or in a sushi restaurant, there are few close links between the exporters and the importers. The salmon is merely “handed over” to the next actor in the activity chain, and none of the activities that we have studied seem to be linked or interconnected in more established patterns. But the system seems highly efficient in terms of the time: Salmon sold through this system takes 3-4 days from harvested in the fjords of Norway until it reaches the supermarket displays or restaurant tables in Tokyo.
4.6.8 Key resource employed: Fresh salmon

Salmon is of course the main resource in these business relationships. The analysis of resource ties will be limited to looking at how this resource is employed.

The majority of volumes are whole fish. Japanese customers prefer to process the fish themselves. This is done either by chefs in restaurants or at the fish department at supermarkets or retail outlets. Processed products like filets are rarely exported. Official statistics support this. One reason for this is that the fish looses some of its freshness when it has been cut and filleted. Even though the distribution system is time-efficient, the processed salmon will be of poorer quality when arriving at the supermarket or the restaurant compared to whole fish. Another reason is that the price charged for processed fish is higher than what Japanese customers are willing to pay at the moment. Exporters also argue that the Japanese are very quality conscious, and prefer to process the fish themselves. Instigated by customers, the Norwegian seafood industry is currently undertaking research into methods to keep the fish fresher after slaughtering. This method is called “PreRigo”, and it aims to process the fish before Rigor Mortis appears. This is not solely done for the Japanese market in mind, but will help keeping the fish fresher when arriving at the customer.

4.6.9 Resource substitution – frozen vs. fresh salmon

Norwegian export statistics show that fresh salmon accounts for the largest share of salmon exports to Japan. This is verified by the interviews. But interviews also indicate that Norwegian salmon and trout exports to Japan are declining. This is in contrast to the
current trend in Norwegian seafood exports (see table 4.11 on next page); total Norwegian exports to the world market have increased from 2004 to 2005, and four companies in our sample have increased their turnover since 2004. If we compare Japanese import statistics from Norway and Chile (Norway’s main competitor in Japan), one reason for the decline in Norwegian exports to Japan is the increased import of Chilean trout and coho, or pacific salmon.

<table>
<thead>
<tr>
<th></th>
<th>2005 (January – November)</th>
<th>2004 (January – November)</th>
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<tbody>
<tr>
<td>Fresh Atlantic salmon</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td>17 563</td>
<td>19 704</td>
</tr>
<tr>
<td>Chile</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Canada</td>
<td>2 064</td>
<td>291</td>
</tr>
<tr>
<td>Frozen Atlantic Salmon</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td>1 059</td>
<td>2 012</td>
</tr>
<tr>
<td>Chile</td>
<td>3 428</td>
<td>1 894</td>
</tr>
<tr>
<td>Frozen Trout</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td>9 556</td>
<td>14 698</td>
</tr>
<tr>
<td>Chile</td>
<td>34 409</td>
<td>38 690</td>
</tr>
<tr>
<td>Frozen Coho</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chile</td>
<td>58 302</td>
<td>68 127</td>
</tr>
<tr>
<td>Norway</td>
<td>0</td>
<td>0</td>
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Table 4.11: Japanese imports of salmon and trout from Norway and Chile. (Source: NSEC/Japanese Customs clearance statistics)

Chilean Pacific salmon is a close substitute to Atlantic salmon in Japan, and is becoming more popular. Trout is also a close substitute for salmon. According to the Norwegian respondents, Japanese customers, especially younger people, can hardly tell the difference in taste and colour between salmon and trout. In fact, one end-user (a restaurant) sold Chilean trout as Norwegian salmon, one exporter mentioned.

Chile cannot compete offering fresh salmon by air because of the geographical distance to the Japanese market. A substitute for fresh Norwegian salmon is salmon from Canada. Imports of Atlantic salmon from Canada increased from 291 tons in 2004 to 2 064 in 2005. But, this is still relatively modest compared to Norway’s volume of 17 563 in 2005. But Canada is gaining market share in Japan.

Norwegian frozen trout has traditionally been a popular product in Japan, but today Norwegian exporters find it increasingly difficult to compete with lower priced Chilean...
trout. Export statistics show a clear support for this: Norwegian frozen trout dropped from 14,698 to 9,556 from 2004 to 2005. This has led several producers to cease producing trout altogether (e.g. Rocky Coast), and others are producing in modest quantities (e.g. Supreme Seafood, Norway Salmon). Frozen Chilean trout is exported to Japan by ship in containers. As such, the geographical distance from Chile to Japan does not represent an obstacle. Chilean cost of production is considerably lower than in Norway, and the industry has less governmental regulations. Hence, Chilean trout is more competitive than Norwegian trout in Japan. Norwegian exports of frozen salmon are also in decline. As with trout, Norwegian salmon cannot compete with the price of Chilean frozen salmon.

Two important issues concerning resource ties can be identified here. First, importers have cooperated with the exporters to ensure a very efficient transportation system to bring the fish to market. This system was originally instigated by the importers in their demand for fresh fish. Second, new production techniques, such as “Pre-Rigo” has also been undertaken in cooperation with the Japanese customers. This is an example of resource ties in terms of skills and competence. But regarding fresh salmon, there appear to be few resource ties in terms of how it is handled and processed by the actors.

### 4.7 Changes in the Japanese seafood distribution

If we look at recent export statistics, it is evident that Norwegian salmon exports to Japan are in decline. Other markets are apparently more interesting to Norwegian producers. The price of Norwegian salmon is high at the moment, and Norwegian salmon has difficulty competing with Chilean salmon in Japan. According to Statistics Norway (2004) there has been a steady decline in export volumes to Japan, whereas European markets are increasing in volumes (fig. 4.5):
During the period from 2000 – 2003 Norwegian salmon exports to Japan fell from 31 942 to 23 528 tons, whereas at the same time exports to France rose from 48 362 to 54 623, and similarly Denmark from 61 039 to 70 447 (fig. 4.6):

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>1 135,2</td>
<td>891,1</td>
<td>672,5</td>
<td>539,1</td>
<td>306,7</td>
<td>31 542</td>
<td>30 566</td>
<td>27 180</td>
<td>23 528</td>
<td>12 206</td>
</tr>
<tr>
<td>France</td>
<td>1 547,0</td>
<td>1 226,7</td>
<td>1 207,7</td>
<td>1 230,1</td>
<td>519,6</td>
<td>48 362</td>
<td>46 175</td>
<td>49 772</td>
<td>54 623</td>
<td>21 739</td>
</tr>
<tr>
<td>Denmark</td>
<td>2 229,2</td>
<td>1 500,5</td>
<td>1 344,1</td>
<td>1 400,2</td>
<td>679,0</td>
<td>75 304</td>
<td>61 039</td>
<td>60 978</td>
<td>70 447</td>
<td>30 618</td>
</tr>
</tbody>
</table>

If we look at the development in price (yen per kilo) of Norwegian frozen trout, Norwegian fresh salmon and Chilean frozen salmon, figures indicate that Norwegian salmon and trout is less competitive than Chilean salmon. In 1999 the price difference was 65 yen/kg. In 2003 this had increased to 263 yen/kg (fig. 4.7):
If we consider exchange rates, the development of Yen/NOK does not favour the Norwegian suppliers. Using 1999=100, the Yen/NOK ratio increased to 111 in the period 1999 – 2004, whereas the Yen/USD decreased to 96. This favours Chilean suppliers who settle their accounts in USD and hence are have more competitive prices (fig. 4.8):

Further, if we look at recent changes in the export price, we note that Norwegian salmon has become increasingly expensive. From the period January 2005 – May 2006, the price of Norwegian salmon increased from 23 to 41 NOK/kg. In May 2007 it was down again to 26 NOK/kg (fig. 4.9):
The main reason for the price increase is the lack of supply of salmon on the world market. An analysis by Kontali (2006) predicts an increase in demand for salmon of 15-20% in the coming years but an increase in production of only 5%. The world demand for salmon is increasing due to growing health awareness among consumers. For instance, the scare concerning the “bird flu” has shifted demand from white meat to fish.

Exporters in our sample explain that Norwegian salmon is too expensive for the Japanese market at present, and current exports are low compared to a couple of years back. Adding to this is the high transportation costs of fresh salmon to Japan as all exporters ship their fresh salmon by air.

The Japanese market is therefore less interesting to our sample. Emerging markets in Asia (China, Malaysia, and Indonesia) and the Middle East (Iran) are gaining more attention, and established markets in Europe earn higher profits. European distribution channels are less costly to manage as they consist of fewer layers. In Europe, salmon is imported by an importer/wholesaler who ships directly to the retailers. Sometimes the distribution chain is even shorter: Norwegian suppliers sell directly to buying centres and headquarters of large retail chains. Transportation costs are also lower in Europe. Fresh salmon is usually shipped by road in cooling containers. Hence, the retail price in Europe is considerably lower than in Japan at the moment.
4.8 The direct or alternative distribution system

The Norwegian exporters find the traditional system long-winded, old fashioned and cost-ineffective. They all describe efforts to establish alternative systems to the traditional system (Table 4.12 gives an overview of the volumes sold through these two networks, based on estimates by the respondents): Global Salmon wanted to set up their own distribution system, but was forced to remain in the traditional system. Their office in Tokyo was meant to be the hub of their Japanese activities. But they discovered that it takes time and effort to establish an alternative system in Japan. Today, Global Salmon trades solely in the traditional system. Norway Salmon has not challenged the system by introducing own production facilities. They have acknowledged that they need to cooperate closely with their Japanese counterparts who know the culture and have well-established relations with the wider Japanese distribution network. They say that they will never attempt what Global Salmon attempted, rather build on existing relationships with their customers. Supreme Seafood is perhaps the company who has best succeeded in establishing a direct system. They have been in the Japanese market since the 1970s and have spent considerable time and effort to build this system. This has been a painful but worthwhile process: They have been forced to challenge the position of well-established actors, and have terminated long-established relationships with middlemen in Japan.

<table>
<thead>
<tr>
<th></th>
<th>Traditional system</th>
<th>Direct system</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Salmon</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Supreme Seafood</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>Norway Salmon</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>Rocky Coast</td>
<td>75%</td>
<td>25%</td>
</tr>
<tr>
<td>Royal Trading</td>
<td>50%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Table 4.12: Volumes sold through the two systems

Global Salmon operates mainly in the traditional system, whereas Supreme Seafood has managed to sell most of its salmon though the direct system. The three other exporters sell the majority of their fish though the traditional system, but the direct system is increasing in importance.

The sample believes that this development is driven by the retail chains and restaurant chains. They reckon that 10-20% of salmon in Japan is distributed outside the traditional system. But the trend is growing. “These changes are initiated by the large supermarket...
chains. They have fixed contracts with their suppliers and buy large volumes, giving them a lot of power. They always watch the market price and the contract price, and determine what is the most profitable for them,” one Japanese respondent claims.

The main explanation for this trend is to reduce price margins. At present, Japanese consumer buying power is reduced and actors in the network are trying to find ways to cut cost. This is mainly the focus of the retailers, who put pressure on their suppliers (authorised wholesalers and intermediate wholesalers) to obtain lower prices. One importer gives the following description of the situation: “The main reason for wanting to shortcut the fish market is price. We all have advantages of a more direct system of distribution. Both retailers and importers have advantages of reducing the layers.”

Another importer explains: “The Japanese market is highly structured and highly inefficient. It has several structures. A lot of people want to make money on the salmon. The logistics of the invoice and the logistics of the salmon do not always represent the same route.” Similar stories are reported by the Norwegian exporters. One of Rocky Coast’s customers told that “in 5-7 year’s time their role will be obsolete because the system has too many layers that all increase costs.”

Based on the interviews with respondents in the sample, the direct or alternative system can be represented as fig. 4.10:

![Diagram](image)

Fig. 4.10: The direct or alternative system network
In the direct system presented in fig. 4.10 above the salmon is also bought by an importer as in the traditional system. But this importer is often a processor, or has acquired such production resources from independent processors (see fig. 4.5). In this system the fish is processed and repacked depending on the needs of the customer, and is sold directly to retail chains and restaurant chains. As such, this system consists of fewer layers. These importers have a much more strategic perspective on their contracts with the Norwegian suppliers, and here we find the presence of written contracts and fixed price margins. Contact and cooperation between the parties seems closer and more intense. Norway Salmon, for instance, enjoys a close relationship with their direct importers. Norway Salmon has invested in training of their customer’s staff in a range of areas like food safety, their product range, trends in the seafood market, etc. Cooperation also includes joint visits to end users, like the buying centre of supermarkets and retail chains. Norway Salmon invests 80% of their time in Japan on end users.

Picture 4.5: Processing department at a major salmon importer

4.8.1 Actor bonds, activity links and resource ties in the direct system

To be able to buy directly, the retailer must have storage facilities. Small retailers do not have such capacity. Further, fresh salmon needs to be sold immediately after purchase, and the retailer needs to be of some size to level off the demand, and ensure that they can sell all salmon that they have acquired. In some cases, retailers have to resell their unsold salmon to the fish market at bargain prices. As one importer put it: “Not all retail stores can do it. They are dependent on having storage facilities. What if they do not sell all the quantities they are buying? For a lot of stores the fishmarket is an easier option. In some cases, the importer must sell unsold quantities on the fish market at a lower price before
the quality deteriorates. So the fish market has a role even in a more direct distribution system.”

Another argues “you need to be of some size to balance the risk. In the traditional market, the price is floating (not much, though). But in the direct system, prices are fixed to contracts. Who is going to take the risk? If you have fixed your selling price to a level above what you pay for, you will lose money. But it is difficult to sell at fixed prices and we therefore remain in the free market. Here we are less likely to loose. The traditional system has some obvious advantages.”

Further, as one argues: “Not many companies can do this. You have to have capability and you have to be systematic. Only the major retailers can achieve this. X is the other main retailer in Japan, and they are in the same process as we are. It is all to do with risk: If the supermarket buys a quantity and cannot sell it, what should they do with the rest of the fish? They cannot throw it away. They can sell it to the fish market, but then the fish is old, and the price is low. We have to find some way of going about this risk.”

4.8.2 Relationship atmosphere and tensions

The shift to a more direct distribution system clearly creates tension between the Norwegian exporters and actors in the traditional system.

Norwegian exporters are encouraging the Japanese importers to shortcut the traditional system and reduce costs by cutting layers. But the Japanese are reluctant to do this; they explain that the system is too deeply rooted in Japanese culture where relationships and obligations are important. The Japanese traders will not upset their distributors but shortcutting the system. They feel they have an obligation to sell to them. In fact, it is considered a loss of face or embarrassment to end negotiations without coming to an agreement. Some middlemen are actually believed to be selling at a loss to their customers in order to maintain the relationship. The importers say that the Norwegians do not fully appreciate that in order to understand the traditional system, one must understand the underlying Japanese business culture.

These Japanese importers clearly believe that their suppliers at present underestimate the efficiency and the role of the fish market. In their view, the Norwegians fail to understand
that the retail structure is different in Japan from European countries. As one importer put it: “The Norwegians think they can sell directly to the supermarket chains, but this is problematic. The chains will only buy in small quantities; they are dependent on other fish species.” Another puts it this way: “In Europe, the producers sell directly to retailers. This does not happen here. We still have to rely on middlemen. Norwegians do not get this picture. They think that if you come here with enough money, you can buy everything. It does not work that way”. And in the words of another importer: “How well do the Norwegians know the Japanese distribution system? They will never find out. It is too complicated. They don’t know where the fish is going. At present 80 % of the salmon imports are run through the fish market. We cannot change the system.”

The Norwegian suppliers also underestimate the Japanese need for quality: “Norwegian suppliers want to sell processed fish and save cost on transportation. But we are very quality conscious. The best thing is to have the fish processed here in Japan,” says one respondent. Another says” we are also very dependent on quality in Japan. Most of the other countries that we sell to are not as concerned about quality. But Japan is a very complicated market for the Norwegians. When we complain to them, they say ‘we don’t have any complaints from other markets.”

Kato accuse their supplier of being too focused on volume and less concerned with quality: “The Norwegian suppliers have grown over the years. From supplying a high-end image, they have moved over to volumes. The people they now employ do not know that much about the fish business. Their main focus is the stock exchange. We have distanced ourselves from the Norwegian producers now. They are mainly interested in costs and volumes. The competition with Chile means that they need to be more efficient. But this jeopardizes quality. We stopped having cooperation with one of the largest suppliers 3-4 years ago because they did not want to supply quality fish.”

The actors in the traditional system therefore try to convince their Norwegian partners of the importance of this traditional system by a number of arguments. First, they argue that the fish market system with its many layers of small actors enables the retailer and restaurants a variety of species freshly delivered in stable supplies. Japanese seafood cuisine features a number of small courses and consumers are accustomed to a variety of species. Supermarkets and restaurants must therefore supply a variety of seafood in their
product range. This further means that these actors tend to buy small quantities of a large number of species, not the other way around as is the case in a European cuisine. As the respondent from Karatsu explains: “Look at a seafood plate in Norway. It contains only one fish! But in Japan, it might contain 3, 5 or even 10 species.” Another put it this way: “The fish market will never be obsolete, because there are a large number of small restaurants and supermarkets that rely on the fishmarket in order to have a varied assortment, but in small numbers. These are too small to buy directly from the importers, and can’t take the risk of being left with fish they cannot sell.” Another importer agrees: “A supermarket needs to have a large variety of products in order to cater for the demands of the customers. Japanese customers are used to having a variety of selection of marine products. So they have to rely on the fish market in order to ensure a full product range.”

The actors in the traditional system also defend its role in terms of payment and risk reduction. Licensed wholesalers are bound to take on the fish that is sold through the market. As one of the wholesalers says: "We are traditionally obliged to buy the fish, we are called receivers. This is how the fish market works”. Fish sold at the fish market means instant settlements, perhaps only 2-3 days delay. Retailers buying directly will sometimes wait 2-3 months before the accounts are settled. One importer puts it this way: “Why can’t supermarkets buy directly from the trading house? It’s a risky business. The supermarket needs to have a varied product range, and the processor ensures this. He also takes quality risk. The supermarket can return any number of salmon if they are dissatisfied. Pay is also important. It may take some time before the supermarket gets paid from the trading house. Buying from the processors ensures fast payment.” Another supplier argues that: “Payment is also an issue: If you sell to a wholesaler, you get paid in 1-2 days. If you sell to a retailer, you sometimes have to wait 60 days to get paid.”

These actors do not perceive the fish market as cost-ineffective, because fish sold at the fish market is always sold on spot terms. Direct distribution to retailers and restaurants are often fixed. Sometimes the fish market will pay a higher price than a fixed contract with a retailer. The actors are closely monitoring this situation: “Some retailers bypass the system if they can gain lower prices. And they switch to the fishmarket when the price there is lower. Price is a determining factor when switching between the two systems. In this respect the fish market has a function.” Another supplier state that “I guess we sell 50/50 to the traditional distribution system and direct sales. The big question influencing which
channel to choose is profit. Sometimes you get more profit from selling at the fishmarket; sometimes you get more buy selling directly.” One supplier argues that “supermarkets switch to domestic seafood when the price of Norwegian salmon becomes too high. Suppliers that have fixed price contracts with their suppliers must sell at a loss when the price increases. That is another reason for the justification of the fish market. On the fish market, price is floating.”

Karatsu, who is a licensed wholesaler at Tsukiji, strongly defends the position of the fishmarket by focusing on its effectiveness: “Many retailers are not importers, so they are dependent on a trader/importer in order to get their fish. But the retailers sometimes sell fish which is 5-6 days old because they have taken on too large quantities. This problem is resolved when they buy from us. Supermarkets are requiring depots and further distribution for the fish. We can provide this to them. What happens when a supermarket does not sell all its quantities when it buys directly? A supermarket may for instance only buy between 1 or 10 boxes. What is it going to do with the remainder? This represents a problem for the supermarket, and is resolved by the fishmarket. It is too complicated to sell directly to the supermarkets.”

J-trade also relies on the fishmarket in the future: “What can an importer do?” he says, “Concentrate on the wholesale market and always keep supplying steady volumes.”

Thus, we see that the shift towards direct distribution creates tension between the exporters and importers in the traditional system. These actors defend the position of the system by arguing its efficiency and point to the exporters lack of understanding.

4.8.3 Exporters critical to the traditional system

Importers operating in the direct system are more critical of the traditional fish market: “The main reason for wanting to shortcut the fishmarket is price,” one importer says. “We all have advantages of a more direct system of distribution. Both the retailer and the importers have advantages of reducing the layers.” During the interview, this importer drew the traditional distribution flow of salmon and calculated the price margins of each layer. The price increased from 700 yen per kilo which is his buying price, to 1555 yen per kilo which is the retail price. One importer explains: “The Japanese market is highly structured and highly inefficient. It has several structures. A lot of people want to make
money on the salmon.” Another argues “these changes are initiated by the large supermarket chains. They have fixed contracts with their suppliers and buy large volumes. These have a lot of power. They always watch the market price and the contract price, and determine what is the most profitable for them.”

Traceability is believed to be better with direct distribution. There is a growing concern of food safety in Japan, and it is important for both consumers and retailers to know where the fish comes from. One respondent says that “at present, many customers are trying to omit the fish market. We are trying to set up an alternative distribution network. Our customers want to know where the fish comes from: previously, on the fish market, they did not always know what they bought. Now they know. But this is somewhat difficult and not everyone can do it”.

Similarly, one importer claims “the role of the fish market is changing because there is too long a distance from the importer to the end user. The fish sold there is of poorer quality and traceability is difficult. The retail chains are very dependent on quality. It is very much the retailer and the supermarket chains that are pushing here. They have a lot of power. During the recent ten years direct distribution has gained share. But the main volume will still be sold in the fish market.”

**4.8.4 Diminishing supplier attention**

Another change noted is the diminished attention the Japanese market is getting from the Norwegian exporters. Other markets like China, Russia, the Middle East and South-East Asia have more purchasing power, and are more interesting to the Norwegian exporters. This also creates tension:

The Japanese sample believes that Norwegian salmon may find itself in an irreversible position if exporters continue to neglect the Japanese market and leave this in the hands of suppliers from Chile and Canada. Salmon from these countries represent stable volumes competitive prices. Karatsu argues that “Norway may miss out on a great opportunity if its Neglects the Japanese market. Norwegian salmon also competes with Japanese domestic salmon. Each year Japan produces 25 000 tons domestically farmed salmon. Do not forget that.” The respondent touches upon an interesting aspect; the Japanese domestic supply of salmon. According to Nagamoto (2000) the self-sufficiency of fish in Japan was 60%. This
trend is however declining because of pollution and reclamation. For salmon and trout, out
of a total of 515 800 tons consumed in 1998, Japanese domestic production accounted for
about 300 000 of this volume.

According to the respondent from Tokyo Fisheries, the peak season for Norwegian salmon
lasts from January to April. Between April and August, domestic farmed salmon enters the
market and Norwegian salmon imports decrease. From August to November, Japanese
wild chum salmon is introduced to the market. In November/December to April
Norwegian Salmon imports increase again. But domestic salmon does not replace
Norwegian salmon all together. According to our respondent: “In the peak period, we
import 160 tons per month, but never less than 100 outside the peak season.” Considering
switching to Canadian salmon, the respondent argues that “the peak period for Canadian
salmon is from Easter to August. This means that we have to buy from Norway outside the
peak season, and we are very dependent on them.”

Some importers have the possibility to switch to other resources, such as frozen salmon
from Chile or Canada. K-Trade argue that “it is a negative scenario for Norway if
importers that have become used to buying Canadian salmon stick to this even when the
price of Norwegian salmon comes down again. Still, we do our best to keep the volumes.
But if the price of Norwegian salmon remains high, we have to stop buying Norwegian
salmon all together.” Hoshituchi supports this, arguing that “it might be difficult to switch
to Norwegian fish again as Chile has gained market share. We are not dependent on
Norwegian suppliers. We don’t have to say ‘please, let us buy your fish”. In Karatsu’s
view, for instance, the current lack of Norwegian salmon does not represent a problem. In
their mind, Norwegian export volumes of salmon are small compared to other species like
tuna (400 000 tons per year). The respondent argues “At the moment, the European market
is very strong. Norway has chosen to supply this market, and it is their choice. We
understand that they will try to sell their fish; we are all businessmen. Are we dependant on
the Norwegians? No, if you look at the quantities they supply, 20 000 tons fresh salmon a
year is really nothing. It is hardly noticeable. So this is no trouble at all to us, we buy the
fish elsewhere. For fresh salmon Canada is a growing supplier and Chile, if it resolves the
transportation issue (and it will, believe me), will be a potential supplier for fresh salmon.
For frozen salmon, Chile is our main supplier today.”
GMC tells a similar story. They can shift to frozen salmon from Chile which in their mind is a good substitute for Norwegian fresh salmon: “At the time, Japan is loosing buying power. People cannot afford high prices, so the suppliers look elsewhere. Japanese customers prefer Norwegian salmon, but the price is too high at the moment. The supermarket purchasers therefore get their salmon from Chile, Canada and Russia. Even if Japanese customers prefer Norwegian salmon it is the retailer that chooses. Most salmon sold at supermarkets is sold for *kerimi* purpose (i.e. cuts). Norwegian and Chilean salmon therefore becomes substitutes.” For Hoshituchi, which mainly deal with frozen salmon, switching to Chilean salmon also does not represent a problem: “Demand is shifting to lower priced Chilean salmon. Norway cannot compete here. The quality of Chilean fish is improving. The traceability is improving. The Chilean authorities guarantee the quality of the fish, and we believe them. The main difference is the price of the fish. Fish is fish. Even though salmon from Norway is highly regarded in Japan, Chilean salmon becomes an easy substitute. In Chile, the cost of labour is lower, and they process the fish themselves. We receive readymade *kerimi* cuts from Chile. Norwegian salmon we process in China to save costs. We used to do this in Japan, but young people will not work in the industry, and the industry is taken over by machines. But this reduces the quality, and a lot of fish is wasted because the machines are not as accurate as the human eye”.

**4.8.5 Implications for importers of fresh salmon**

But importers such as Tokyo Fisheries, K-Trade Inc. and Kato who mainly deal in fresh salmon, the current situation is not favourable. In their view the lack of Norwegian salmon on the Japanese market represents a big problem: “At the time being,” one respondent argues, “there is a shortage of Norwegian salmon, and Norwegian exporters are looking elsewhere to more developing markets. Imports have declined rapidly recent years. We are switching to Canadian salmon, but the stores are accustomed to Norwegian salmon. So this is not so easy. The Canadians have a seasonal production of salmon. Most of their production is wild fish. If we are to maintain the good relationships with our customers who want Norwegian salmon, the Norwegians lack of dedication to the Japanese market is a major concern for us at the moment…”

K-Trade reports a similar story: “There is a growing demand for fish in other countries. And this raises the price of fish. The Japanese economy is still weak, and it will take some time to raise the price to a stable level. Hence, Norwegian fish is very expensive on the
Japanese market at the moment. We can shift, but it is difficult to change country of origin. We have to keep the same origin and price on a steady supply. We have contact with Canada, but this is limited. Canadian salmon is also becoming more expensive, but is still less expensive than Norwegian salmon.” Global Salmon also reports this: “At the moment, the Japanese salmon price is determined by the demand in Europe. Hence, salmon is becoming expensive in Japan.”

This is also a major concern for Kato: “Our problem is that the Japanese economic situation is in decline, and the system cannot pay. There is less buying power in the market. And since we buy only from Norway, this is a problem area for us. We often discuss this with our Norwegian suppliers. They need to follow us here.” For Kato the solution is to focus on his strategy to supply fresh quality salmon and adding value to the salmon by processed products such as marinated and smoked salmon. The need to find suppliers that share this view: “Salmon is becoming too common. The top end restaurants are looking at other fish in order to be innovative. It is difficult to keep the high end image. Chilean salmon has helped watering out the quality image of Norwegian salmon. We have to defend this image. This is our job. We are therefore trying to find other ways of adding value to the salmon, by processing it. We cannot use frozen salmon. Then we face competition from Chilean salmon. If we switched to Chilean salmon this would inflict on our strategy which is fresh quality salmon.”

For Kato, their solution is to focus on a strategy of suppling fresh quality salmon and adding value to the salmon by processed products such as marinated and smoked salmon. They need to find suppliers that share this view: “Now it is the opposite way (in relation to when salmon was first introduced in Japan). Salmon is becoming too common. The top end restaurants are looking at other fish in order to be innovative. It is difficult to keep the high end image. Chilean salmon has helped watering out the quality image of Norwegian salmon. We have to defend this image. This is our job. We are therefore trying to find other ways of adding value to the salmon, by processing it. We cannot use frozen salmon. Then we have to compete with Chilean salmon. If we switched to Chilean salmon this would inflict on our strategy which is fresh quality salmon.”

Norwegian exporters are viewed as being better on traceability: As one argues: “Norwegian salmon is regarded as having better quality. Norway is better on traceability
and use less antibiotics in their feed. Almost zero. This is not the case with Chile. The Norwegian production system is more sophisticated than Chile. Importers from Chile cannot trace back. Chilean salmon is redder because of added colour to the feed, and Japanese customers prefer this.”

Some even mistrust their partners. Japanese importers raise concerns over the fluctuating Norwegian costs of production which in their view affects the price. They have difficulties understanding why their suppliers cannot guarantee stable prices due to the fact that all factors of production are known in farming. One respondent argues, “At the moment, Canadian salmon is favoured to Norwegian salmon because of price. The market price for Japanese farmed fish is stable, but the Norwegian salmon price is fluctuating too much. Why is this so? We ask our importers, but they argue that the cost of production is fluctuating.” They are aware that Norwegian exporters are making large sums of money. One respondent says “a main controversy with the Norwegians is that they charge a very high profit to the price. We know the cost of production, and we know that they are making a lot of money. So how come they cannot reduce the price to us? They make a profit above 700 yen per kilo. The price from Norway used to be over 1200. It has come down to 1000 now, but it’s still high. So why can’t they sell to us? They are earning huge profits on this.” One respondent claims “we do not understand why price has to increase because of higher production costs. They are trying to impose their margins on us. But we cannot accept a price increase. How can there be a price increase for farmed salmon? All cost are known and fixed!” Another customer actually feels lied to: “Sometimes they tell me that they have no fish to sell, but I know they have. They have sold it to other markets. Why do they do this?”

4.8.6 Resource change from fresh to frozen salmon

Tensions in actor bonds have an impact on the resource ties as new resource ties are created. One way for importers to reduce costs is to switch to frozen salmon which is less expensive. Frozen salmon has unlimited storage capacity. It is easy to level off the supply as the demand fluctuates. Hence, risk is likely to be reduced. As one importer argues, who mainly deals with frozen salmon: “We do not deal in fresh fish. Fresh fish requires a shorter time period and involves more people. It is easier to deal with frozen fish. The distribution chain is shorter and less costly. The number of large supermarkets is growing, and this distribution channel is growing. But the supermarkets need to be of some size to
do this. The fish market is becoming obsolete in this respect. It represents the old way of doing things.” Another importer reinforces this picture: “You need to be of some size to deal with frozen salmon. I don’t want to go into the frozen business,” he says, “that’s for the big guys.”

It thus appears that the ability to switch to frozen products is a determining factor in how the actors cope with the changes in seafood distribution. Companies who have the possibility to switch to frozen salmon remain more positive about adapting to direct distribution. But for companies dealing in fresh salmon, they are somewhat stuck with the fish market. As one importer of fresh salmon says: “The future of the fish market? Its power will be reduced, but it will not at all perish. We cannot get rid of the wholesalers totally. They have a very good distribution flow. They have good logistics and have developed a specialised system.”

4.9 Introducing a conceptual model explaining network change

Reviewing literature on network change in chapter 2, we saw that change may occur at three levels; the actor level (within the company), the dyad level (in the relationship) or the network level (between connected dyads). This initial study provides a rich account of changes occurring at all three levels. One may assume, due to the implicit idea of interdependence which is the basis for the interaction approach, that change at one of these levels will have an effect on the other levels. Model 1 (fig. 4.11) was introduced as a way of explaining the interconnectedness of network change:
This model suggests that change can be analysed in terms of its *intensity* (radical vs. incremental) and *level* (actor, dyad or network level). Change at one level may transmit to another level, and vice versa. One the vertical axis is a continuum where incremental and radical changes are two extremes, because as change is never either radical or incremental, it is always somewhere in between.

Some of the changes evident from the initial study will now be analysed using this model.

### 4.9.1 Analysing some key changes using Model 1

**Minicase 1**

One account of changes is related to how Norwegian salmon first appeared on the Japanese market, and these may be mapped using in Model 1 (see fig. 4.12): Fresh salmon was introduced in Japan by Japanese chefs with experience from working in French restaurants. Some of these chefs subsequently set up their own sushi restaurants and put salmon on the menu (A: change at actor level). Farmed salmon was free of parasites and suitable for
sushi. To get fresh salmon they approached their existing suppliers (wholesalers and traders) and placed orders for salmon (B: change at dyad level). These Japanese suppliers further placed orders with their existing Norwegian suppliers of seafood (C: change at network level) which increased their sales to Japan (D: change at dyad level). Norwegian exporters gradually increased their production of farmed salmon (E: change at actor level) and other exporters were attracted to the industry by high profit margins (F: change at network level). These new exporters approached existing Japanese customers, or established relationships to an increasing number of Japanese importers buying salmon (G: change at dyad level). At the same time new technology (the kaiten belt) meant that a new type of restaurant put salmon on the menu (H: change at actor level) and sushi salmon became affordable for the general public (I: change at network level). Sushi consumption was aided by other mega-trends such as favourable exchange rates and lower salmon prices due to increased production (J: change at network level). Other technological innovations were scheduled flights which ensured freshness and efficient transport (K: change at dyad level). This was first introduced by Norway Salmon (L: change at actor level) because their customers increasingly demanded fresh products (M: change at dyad level). Other Norwegian exporters joined in on these flights (N: change at network level) and the price of transport and subsequently the total salmon costs fell (O: change at dyad level). Gradually, fresh Norwegian salmon became an integral part of the traditional Japanese distribution system (fig. 4.12):
This story serves as a good illustration of how Model 1 can be used to analyse network change. The Model assumes that a change at one level will set off changes at the next level, and so forth. In this way, changes are ever-occurring.

This example further illustrates the other dimension of the model; the intensity of change. For instance, the kaiten belt (H) and the scheduled flights (K) may be interpreted as radical changes. Both these changes have been highlighted by the respondents as changing the rules of the game. The kaiten belt allowed for extensive market expansion in a short time, whereas the scheduled flights enabled fresh salmon at a stable and dependable supply. Other changes may be described as more incremental changes, such as the growing number of Norwegian exporters taking up salmon, or the growing number of relationship established with Japanese importers.
Minicase 2

A second example is related to current situation (fig. 4.13): At the moment there is a recession in Japan and Japanese buying power is considerably reduced. This is a megatrend, but it is also a change at network level. As a result, restaurants and retailers are demanding better margins (A: change at actor level). At the same time the price of Norwegian salmon prices has increased and subsequently the demand for fresh Norwegian salmon is falling (B: change at dyad level). The fall in Japanese sales have lead Norwegian exporters to turn their attention to other more promising markets. This is a change in strategy (C: change at actor level) and subsequently a change at network level as ties to Japanese customers are weakened and ties to other customers are strengthened. As a result Japanese importers are increasingly dissatisfied with the way they are treated by the Norwegian exporters, and the relationships are strained (D: change at dyad level). However, this does not deter them from approaching suppliers from other countries such as New Zealand and Canada (E: change at network level). The biggest substitute for Norwegian salmon is however Chilean salmon. Chilean salmon is cheaper to produce (F: change at actor level) and cheaper to freight as this is done at sea (G: change at dyad level). Chilean exporters are therefore increasingly taking over Norwegian market share in Japan (H: change at network level). This also represents a change in resource ties because Chilean salmon is frozen whereas Norwegian salmon is fresh. This is not such a big challenge as restaurants and retailers sell defrosted salmon as fresh salmon (I: change at actor level) and the Japanese can hardly tell the difference because Japanese food culture is changing towards Western diets. Particularly young people are not that concerned with whether the fish is originally frozen or has been transported fresh from Norway. But the price difference is substantial. New production technology such as the “Pre-Rigo” method ensures that the fish is frozen before rigor mortis appears which ensures better texture when thawed. The “Pre-Rigo” technique is an innovation in that it greatly improves the quality of the fish, and in the model this is an example of a radical change (J: change at actor level).
Minicase 3

This example is related to the main change in Japanese distribution evident from this initial study; the change from traditional to direct distribution (see fig. 14). This can be seen as a change at network level (A), where Norwegian exporters develop relationships with different types of Japanese importers, i.e. companies with new resources combinations such as processing facilities and storage capacity. This further implies changes at the dyad level by creating new activity links (B: joint visits to end users such as retailers and restaurants), and new resource ties (C: more intense skills training and development of customers staff). The increased flow of information such as improved traceability is an example of another change in resources ties in the direct system (D). The change in actors bonds (E) in terms of relationship atmosphere is also important to notice. It seems that as long as there has been some stability in the system, i.e. affordable prices and stable supply, conflict and tension are hidden in the traditional system. But the downturn in Japanese buying power (F: change at network level) and the retailers’ push towards a more effective market structure (G: change at network level) has released some of the tension hidden in
these relationships (H: change at dyad level). This may be seen as a radical change, as tensions suddenly surfaced. The respondents, both Norwegian and Japanese, spoke of relationship atmosphere in rather harmonious terms but recently tensions and conflict have emerged.

Actors in the traditional system seemingly defend the fish market in terms of efficiency and diversity. As much as this case is concerned with a changing distribution structure, it is also a case of a system resisting change.

Fig. 4.14: Model 1 applied on Minicase 3

All these three examples serve as illustrations how changes can be analysed in terms of Model 1.
4.9.2 Limitations of Model 1

Perhaps the most interesting aspect of these changes is the role that perceptions play. The Norwegian exporters clearly perceive the Japanese traditional distribution system as inefficient and long-winded and some Japanese importers share this picture. But there are alternative views of reality. According to other Japanese respondents, the system works very well indeed. But it is the Norwegian exporters’ perceptions of the system and its inefficient response to changes in the macro-economic environment, such as reduced Japanese buying power and increasing salmon prices, which prompts Norwegian companies to find new customers or business partners and employ new resource combinations. Hence, in terms of the model, a change at node level (change in perceptions) leads to a change in dyad level (new resource ties, and activity patterns) and subsequently changes at network level (new actors approached and relationship to existing actors are diminished or terminated). Similarly, the Japanese importers’ perceptions of their Norwegian suppliers’ diminished attention to their market, and their efforts to short-cut the traditional distribution pattern, leads to new resource ties (such as switching to frozen instead of fresh salmon and new processing techniques) and influence the actor bonds (increased tension and conflict). In turn this leads to changes in the network (relationship with new suppliers in Chile and Canada are strengthened).

It seems that perception of change plays a role, and this dimension is not accounted for in Model 1. Apparently it is the perception of change, rather than the change itself, which has an effect on dyads and networks. In this study, several statements suggest that the actor’s interpretation of changes in the macro-environment is the basis for their actions in their relationships. For instance, two interpretations of how Norwegian-Japanese business relationships were established serve as good examples:

The Japanese perspective
For instance, looking back at minicase 1, i.e. how Norwegian salmon was first introduced to the Japanese market, this story may be regarded as an account of how one Japanese respondent chose to explain the chain of events. In his view it was the Japanese customers who set the pace and built up the market for Norwegian salmon in Japan.
The Norwegian perspective

If we look at the Norwegian exporters’ explanations discussed earlier in this chapter, the growth of the Japanese market was very much the result of bold marketing strategies and relentless efforts. Slowly, the exporters were able to penetrate a new market, establish relationships with Japanese traders and importers, and later set up their own subsidiaries.

What is the correct picture of reality? This is not as important as the proposition that actors seem to base their actions on their perception of reality. In both these examples actors have described a reality and acted accordingly. By interacting with other actors, this picture has been confronted and reshaped.

It therefore appears that there is a link or an interface between events and the perception of events which Model 1 does not account for. Following this argument, it is also inaccurate to look at changes in terms of whether they are radical and incremental, because what may be seen as radical to one respondent may be incremental to another.

A second aspect is that although Model 1 takes account of the space dimension suggested by Ford et al. (2008), as it provides a framework for locating change at specific network levels, it is deficient in explaining the time dimension. For instance, Minicase 1 is an example of changes in the past, whereas Minicase 2 is an example of current changes. Minicase 3 is related to changes from past to present. In the above illustrations all these time dimensions are located within the same framework. Thus, a more comprehensive way to analyse past and present change is needed. Here, a third dimension may be added; the future. Although anticipation of future changes was not a question in the initial study, several respondents had reflections on future actions, directions and strategies which are not reflected in the model.

Model 1 is therefore deficient in explaining the changes described in this initial study, and needs to be redeveloped. Accordingly, the research question needs to be redefined.

4.10 Revised research question

The revised research question is therefore: “What role do actor perceptions play in network changes?” This will be addressed in the next Chapter 5.
Chapter 5: The role of perceptions - Literature review and a revised conceptual model

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5.1 Introduction

As indicated towards the end of the previous Chapter 4, the actors’ perceptions of change, or their perceptions of events leading to change, may be one explanation for change in networks. However, this perspective on network change has received little attention in the literature and needs to be analysed further. This chapter will therefore review some of the current literature regarding the role of perceptions in network literature and introduce network pictures as a concept by which perceptions can be studied. In an attempt to discuss the relationship between changes in networks and how they are perceived, a conceptual Model 2 illustrating this relationship will be developed as an integral part of this review.

5.2 Perspectives of change in networks

The literature review in Chapter 2 suggested that the general strategy and marketing channels literature looks at forces of change in a company’s marketing environment, whereas the network approach suggests that change is transmitted through the network via
connected relationships. As such, companies strive for change (or stability for that matter) and are exposed to change in an ever-continuing process. Although change has been dealt with in a number of theoretical contributions, relatively few models have been suggested to explain how changes occur in networks. Particularly, the interplay between changes in the “real” or underlying network structures on one hand and the actors’ perceptions of these structures is relatively unexplored.

The studies in the network tradition reviewed in Chapter 2 all describe change in terms of changing interaction patterns. This is rather obvious because the nature of interaction is the key to understanding industrial networks. But the general network literature on change does not reflect the perspective that change basically is a question of moving from something to something, from old to new, from one state to another state, from something you did not have before to something you now have. New interaction patterns always emerge on the basis of established interaction patterns. Presumably, there will be consensus between actors whether a change has occurred in relation to what used to be there before. This is an issue which is identifiable and measurable, such as a change in price or order volume. But the pace, intensity and consequence of a change is open to personal interpretation. What is a radical change to one actor may be seen as an incremental change by another. Using “radical” and “incremental” to denote change intensity is therefore difficult because these terms are very much based upon perceptions. But they highlight that the impact of change must be seen in relation to how it is perceived by the actors.

5.3 Arriving at Model 2

We may rather view change as a process of moving from an established state to a new state, or from an established structure to a new structure. This of course poses the rhetorical question whether anything is ever established. Tomorrow is likely to be different from today. If networks are dynamic, how can it be claimed that there is a move from an established level to a new level? Nevertheless, in order to make this researchable, we have to acknowledge that change will occur as a development from one state towards another state, be these changes “real” or “perceived”.

How can we analyse network changes in these terms? Change may be seen as changes at the actor level, dyad level and network level because the unit of analysis in the industrial
network approach is the actor (node), dyad (links) and network (connected links) (Håkansson and Snehota, 1995). The majority of the literature in the industrial network tradition analyses interaction between actors, i.e. at the dyad level, and the effect these interactions have for connected relationships, i.e. at the network level. Less emphasis is given to change within a company. But logically a company constantly has to adapt to the network through resource ties, activity links and actor bonds, and these adaptations are in fact changes a company has to make in order to enhance its position in that network. Hence, we find established and new structures both at the actor level, the dyad level and the network level. Change can therefore be seen as a change from an established pattern to a new pattern at actor level (change within the company, or change within nodes), from an established pattern to a new pattern at dyad level (change within the relationship or change within links), and from an established pattern to a new pattern at network level. It is therefore appropriate to determine change in terms of change level (actor/dyad/network) and novelty (established/new structures or interaction patterns):

<table>
<thead>
<tr>
<th>Actor level</th>
<th>Dyad level</th>
<th>Network level</th>
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<tbody>
<tr>
<td>A</td>
<td>B</td>
<td>F</td>
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<tr>
<td>I</td>
<td>H</td>
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<td>New</td>
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<td>Established</td>
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Fig. 5.1: Model 2 - Change in terms of new and established interaction patterns

One way of looking at how change is transmitted is to assume that change follows some pattern of development through the network (fig. 5.1). According to this model, a change from an established pattern at the actor level (A) to a new pattern at the actor level (B) creates at change at the established dyad level (C), resulting in new patterns such as a change in resource ties, activity links and actor bonds (D). These changes again will confront the established pattern of the network (E); creating new network structures (F). Here, change is transmitted through the network by interaction. Changes at the actor level
are related to the network structure in which the company is embedded, more precisely the resource ties, activity links and actor bonds which the company has to its wider network. Hence, we see a change in terms of new resource structures, new activity links, and new actor bonds. These changes at dyad level in turn have impact on the wider network structure; ties to some actors are weakened, some are strengthened, some disseminated. New ties are created, new actors are approached and old actors taken on new roles.

Let us illustrate by an example (fig. 5.2): Assume that company A1 hires a new purchasing manager which comes with a new purchasing strategy (change within the company). One of his first tasks is to assess the existing contracts that company A1 has to company A2, its existing supplier of IT solutions. As a result of his analysis, company A decides to buy a new type of computer software from company A2 (change in resource ties) which requires new skills and training (new activity patterns) and increased staff meetings (change in actor bonds). In terms of the model, a change from established patterns to new patterns at the actor level has created a change from established to new patterns at the dyad level. Company A2 in turn needs to strengthen its ties to its suppliers (company A3 and A4) in order to handle the increased sales volumes. It might need to look for more suitable premises which enable training of Company A1 staff which company A3 can offer, it needs to find a printing company for course manuals (company A4), etc. Hence, change at the dyad level leads to a change from established to new patterns at network level.

![Fig. 5.2: An illustration – part A](image)

We may follow a similar change pattern (fig. 5.3) where the new purchasing manager of A1 decides to terminate the contract and change supplier (change in dyad level). The ties to company A2 are weakened, and ties to the new supplier (company A5) are strengthened.
(change at dyad level). Company A2 may decide to increase sales to existing or other customers (company A6 and A7 to) cater for the loss of business in the first place. Company A5 in turn will have to increase its share of business from its current suppliers (company A8 and A9) to cater for the increase in business (change at network level).

Following that change is transmitted through the network we may also assume that change can be transmitted from the network → dyad → actor level. Hence we see a reverse process (see fig. 5.1, reverse arrows): Changes in the network structure (F) challenge the established patterns at the dyad level (G), creating new ties, links and bonds (H). These new dyad patterns further challenge the established patterns of the individual actor which adopts new practices (I). This again leads to new dyad patterns, and so on. This is a never ending process. For instance Company A4, the printing company (fig. 5.4), must find a new supplier for paper, company A10 (change at network level). Company A4 and A10 must find ways to accommodate the increase in sales volume of company A2 (change at dyad level). Company A10 will perhaps need to hire more staff (change at company level).
5.3.1 Applying Model 2 to Minicase 1

Looking at Minicase 1 from Chapter 4 over again, Model 2 may be one way of explaining the change pattern described in this case: Japanese chefs with experience from working in French restaurants set up their own sushi restaurants and put salmon on the menu (change at actor level $A \rightarrow B$ in Model 2, fig. 5.1). They approached their existing suppliers and placed orders for a new resource; salmon (change at dyad level $C \rightarrow D$). These Japanese suppliers further placed orders with their existing Norwegian suppliers of seafood (change at network level $E \rightarrow F$) which increased their sales to Japan (change at dyad level $G \rightarrow H$). Norwegian exporters gradually increased their production of farmed salmon (change at actor level $I$). Further, aided by increased production volumes (change at actor level $A \rightarrow B$) these new exporters approached existing Japanese customers, or established relationships to an increasing number of Japanese importers buying salmon (change at dyad level $B \rightarrow C$). Other Norwegian exporters were attracted to the industry by high profit margins (change at network level $E \rightarrow F$). And so on…

This brief analysis of the change pattern described in Minicase 1 illustrates that Model 2 may be appropriate for explaining network changes, particularly as it addresses the time dimension which Model 1 lacked. Model 1 was useful in locating changes at three network levels, but Model 2 additionally addresses the time dimension in that it provides a analysis of the move from old to new structures, from past to present or present to future for that matter. It therefore serves as a better explanation to analyse the changes apparent from the initial study.
5.3.2 Change, resistance and stability

In chapter 2 we noted the duality or co-existence of stability and change in networks. (Halinen et al., 1999; Håkansson and Snehota, 1995). In networks there are always forces that will try to change established actor bonds, resource ties and activity patterns, but similarly there are forces that will try to move towards stability. Alongside the recurring changes are the efforts to stabilize the network, which means that there will always be a counterforce aiming to resist change. In Model 2 this may be illustrated as the shaded area between the established and new structure (see fig. 5.5). For instance, when there is a pressure to change the dyad from an established structure to a new structure, there will always be a pressure not to change. The extent to which the actor can overcome this pressure will determine how successful the actor is adapting to change:

![Fig. 5.5: Change and resistance to change](image)

Hence, change always appears in the form of someone else’s response to change. Change is always transmitted through the network in form of changed activity patterns, resource structures and actor bonds which the actor has to relate to and interact with. The way in which he does this, determines his ability to cope with change.

5.3.3 Change and perceptions of change

Change may appear at any level of the network at any point in time; it does not necessarily start at the actor level or the network level. It may well start, for instance, as a shift in resource ties. But this shift is a response to another shift in the network, and it becomes difficult to say which factors cause which changes; change is an ever recurring process as a consequence of interaction, and it is difficult to establish cause-and-effect relationships in empirical terms. Although actors may have an opinion about which factors
or forces causing change, the “real” causes for change may be the result of someone else’s interactions, perhaps not visible or identifiable to the single actor. Following this logic, it is the perception of events, rather than the events themselves which causes change. This illustrates the point that actual change must be seen in relation to the actor’s perception of change. There is a relationship or an interface between the “real” network” and the “perceived network”.

The relationship between network changes and perception of changes has been noted by several studies. Salmi, in her study of Finnish companies coping with economic changes in the Soviet Union, found that “the fundamental and unique change forces relating to the transformation of an economic system were channelled through the interorganizational relations which the focal company maintained. The company perceived these change forces as a stream of events in its business relations, and some although not all of the events were considered critical and led to radical change in the company's relations,” (cited in Halinen, et al. 1999, p. 788). Here, we can make an important observation; it is the perception of the events rather than the events themselves that lead to changes. Halinen et al. (1999) conclude that “The mental process of enactment is proposed to be a key explanation for both stability and change in networks. Depending on the perceptions of individuals -- how they view the business context and its interdependencies, and possibilities to achieve their business goals in this context -- some events are considered critical and requiring prompt action from the company, while others are perceived as minor, allowing inertia to come to the fore.” (p. 791). They call this enacted reality. Reality is constructed and acted upon by business actors. This social constructivism theory (Berger and Luckmann, 1967) has been suggested as an explanation for social action. Hence, “the mental process of enactment can be regarded as a key explanation for stability and change in networks” (Halinen et al, 1999, p. 786).

The relationship between perceptions and change is also discussed by Lundgren (1992). He suggests that an actor’s perceived uncertainty is a prerequisite for change: “Stability in the network will reduce the actor’s perceived uncertainty and thereby increase the propensity to participate in change activities” (p. 148). Håkansson and Snehota (1995, p. 272) argue that “the different and contrasting perceptions of the [activity links] are at the origin of some changes.” Hertz (1992, p. 121) states that “…The perceptions of integration might cause greater effects that otherwise might be expected from the actual change”. Håkansson
(1992, p. 130) argues that “the network is shaped though interactions but these in turn take place in accordance with the perceptions of the network held by individual companies.” Similar arguments are also found in other theoretical approaches, like strategy and marketing channel literature. Guiltinan (1974), for instance, emphasizes that it is not the market forces in themselves that represent the change, but the actor’s perception of them. This is also commented by Achrol et al. (1983): “Organizations do not perceive the environment as such, they enact one.”

Apparently, in order to understand changes, we must look at the interface between network changes and perception of changes.

One way to look at this interface is proposed by Håkansson and Waluszewski (2002) using the term activated structure and idea structure (see fig. 5.6) describing the structures where changes occur. The activated structure is the visible and measurable set of actor bonds, activity links and resource ties which exists out there, or the “real” or “underlying” network. Opposed to the activated structure is the “idea structure”. Håkansson and Waluszewski give to two definitions of idea structure, one by Brunsson (1998) who says that “the idea system defines what is handled in mental and communicative processes, and the action system what is handled in material processed” (p. 168). They also refer to Czarniawska and Joerges (1996) arguing that “ideas can be regarded as images that have become known in the form of pictures or sounds and then [they are] materialized in different ways” (p. 20).

![Figure 5.6: The interface between the activated and the idea structure](image)

A similar distinction is made by Ford and Håkansson (2006): “All interaction is concerned with the physical world. The economic effects of interaction appear in the physical world
and the outcomes of interaction are within the constraints of that physical world. Interaction can be seen as the interplay between different actors, but also as the interplay between the abstract ideas of those actors and the physical constraints that surround them. In this way, interaction provides the link between technology and economy” (Ford and Håkansson, 2006, p. 7)

The idea structure and perceptions held by the individual actors are two very similar concepts. Before exploring the relationship between idea structure and activated structure further, it is necessary to review how the role of perceptions is dealt with in the network literature.

5.3.4 The concept of identity

This concept may shed some light in the term perceptions. Gadde and Håkansson (2001) argue that an actor’s position in the network is determined by the attention it receives from other actors. This is labelled “identity”. They argue that a proper match of identities is a prerequisite for interaction. Both external and internal factors shape identity: It is shaped by the resources an actor controls and the resource ties it has to other actors, and it is shaped by past actions and experiences. It is also shaped by an actor’s position in the network. Hence, it is vital to develop a favourable identity in order to attract attention from the rest of the network. This is important both for marketing activities and for purchasing activities. As the key focus of a marketing manager is to make his company attractive to possible customers, the focus of a purchasing executive is to make the company favourable to potential suppliers.

The interesting point is that the identity of an actor influences how other actors interpret its actions. Other actors may positively view actions of a company, which has developed a favourable identity, whereas the same actions made by a company with a less favourable identity may be more negatively viewed. A company regarded as a “good customer” may be granted extended payment, whereas a company regarded as a “troublesome customer” may be treated as a bad debt.

Gadde and Håkansson (2001) argue that companies must have a proper “match” of identities as a basis for interaction. Matching may be in terms of similarities in identities, or the ability to cope with differences in identities. An actor will be favoured if it is
perceived as having a favourable identity by other actors. The outcome of interaction will either reinforce the perceived identity, or change the perceived identity. Thus, after a series of unsuccessful attempts of interaction, an identity may change from a “good customer” to a “troublesome customer”. Identity is thus not a clear construct, it changes by interaction. Different people in the organisation will hold different perceptions, or pictures, of their company’s identity, and the identity of their interacting parties.

5.3.5 Subjective interpretation

The concept of identity is related to the concept of subjective interpretation. We can analyse how identities are shaped in terms of how actions are interpreted. Ford and Håkansson (2006) describe subjective interpretation as one of five issues that are key to providing an understanding of interactions, the four others being time, interdependence, jointness and relativity. Subjective interpretation is the single actor’s perspective of the world and how he interacts with it. Subjective interpretation must be seen in relation to bounded rationality (Simon, 1991; Simon, 1957). Simon suggests that people are only partly rational, and are in fact emotional/irrational in the remaining part of their action. People must therefore base their decisions on the information they have at their disposal at any given point in time. In a network perspective, this means that network actors will base their decisions on their individual interpretation of the action of other actors, and the world around them. Subjective interpretations are a consequence of actor’s experience of actions, re-actions and re-reactions. Ford and Håkansson (2006) argue that it is these interpretations of interactions rather than “reality” itself that forms the basis for interaction.

Subjective interpretations determine how an actor sees the network and how an actor perceives himself. For instance, two small shopkeepers may have different network pictures; one may look upon itself as the hub of the wheel in its geographical proximity, whereas the other may have a more modest picture, seeing itself as being more at the periphery of other, more dominant actors.

Subjective interpretations are formed through business experience and through theoretical metaphors and stereotypes. Stereotypes are oversimplifications of reality. Ford and Håkansson (2006) argue that actors will tend to act in accordance with the stereotype, if this stereotype is the dominant, or “approved” way of working.
An actor’s perception or interpretation of other actors can be referred to as his network picture.

5.3.6 Network pictures: One way of interpreting perceptions

Network pictures are used in this study to conceptually identify the different aspects of actors’ understanding of change in their business networks. The concept of network pictures is well suited to this purpose as it represents the subjective sense-making of managers within complex systems of business interactions and relationships (Ford et al., 2002; Ford and Håkansson, 2006; Ford et al., 2006).

There is a range of theoretical approaches to address the relationship between intention and action. Network pictures resemble constructs found in both the cognitive mapping and cognitive group literature and organisational behaviour and the strategy literature. As such, the concept of network pictures is influenced by, and related to the areas of cognitive strategic groups (Bogner and Thomas, 1993; Hodgkinson and Johnson, 1994; Johnson et al., 1998; Osborne et al., 2001; Porac and Thomas, 1990), cognitive mapping (Fiol and Huff, 1992; Hastie, 1981; Huff, 1990; Johnson et al., 1998) and managerial cognition/sense-making in organisations (Daft and Weick, 1984; Gioia and Chittipeddi, 1991; Johnson et al., 1998; Meindl et al., 1994; Spender, 1989; Walsh, 1995; Weick, 1995; Weick, 1979).

Within the industrial network research tradition, the network pictures concept builds on several concepts aimed at defining how managers perceive and enact reality, such as network theories (Johanson and Mattsson, 1992; Mattson, 1987; Mattson, 2003; Mattsson, 1987), network position (Easton, 1992; Johanson and Mattsson, 1992; Turnbull et al., 1996), network horizon (Anderson et al., 1994) network maps (Borders et al., 2001), enacted network (Halinen et al., 1999), network boundaries (Cova et al., 1998), network surrounding (Ford et al., 2002) network identity (Gadde and Håkansson, 2001), network insight (Mouzas et al., 2008). See Mouzas et al. (2004) for a detailed overview of concepts.

Ford et al. (2005, p. 3) define network pictures as “a conceptualisation by the observer of the network views of the participants. It is a representational technique that aims to capture or illustrate views that specific actors have of the networked environment within which they operate”. Ford and Håkansson (2006) see network pictures as “a descriptive construct
that can be used by researchers to encompass a particular actor’s view of the surrounding network and its scale, structure and interactions, as well as the evaluative dimensions it applies to them” (p. 16). Network pictures are not neutral, but are biased views on how actors perceive the network, how they perceive themselves, and their place within the network.

Network pictures are the manager’s network theories, they represent what managers subjectively perceive to be of importance in their business environment and what the pertaining logic for actions and consequences of managerial activities in the business network are. As such, network pictures are the ‘theories-in-use’ which help managers not only to make sense of their complex environment but also to guide their decision-making, their option analyses, and their managerial behaviour (Cornelissen, 2002; Welch and Wilkinson, 2002). Network pictures are about context but they also act as framing devices. Network pictures are therefore posited to guide networking activities but they are also used to ascribe meaning to events in the network, such as activities instigated by other actors (Ford et al., 2002; Smircich and Stubbart, 1985).

Ford et al (2005) identify three levels where network pictures may be analysed:

1) Understanding and interpreting network pictures – The network pictures;
2) Understanding the environment – What do network pictures mean?; and
3) Understanding strategy – What can network pictures tell us about management options? All three levels require different methodological approaches.

Regarding the first level, Henneberg et al. (2006a), building on work by Anderson (1994) and Holmen and Pedersen (2003), attempt to determine the various dimensions of network pictures. They found eight interrelated dimensions of network pictures: boundaries, directionality, power, time/task, environment, focus, actors/resources/activities and centre/periphery. Henneberg et al. (2006) argue that network pictures at this level should be analysed by obtaining the actor’s individual pictorials or illustrations. As for the second level, network pictures always serve a specific end and must be viewed in relation to the environment and surroundings. Henneberg et al. (2006a) introduce a four dimensional analysis: 1) identifying the actors, 2) examining the structure of the network, 3) examining the process of the network and 4) identifying the personal positioning. The third level involves a novel theoretical development, as the analysis of network pictures is extended to
look at strategic options. Henneberg et al. (2006) argue that network pictures may be used to conceptualise possible changes in the network. Network pictures may represent strategic options available to the actors. Instead of merely analysing the nodes (level 1), the links (level 2), the spaces between the links and the nodes are equally important.

Because network pictures represent managers’ sensemaking of their surrounding network, they can also be used as a research tool in order to gain understanding of how the individual manager perceives his environment and his position within it. Consequently, the network pictures concept is both a way to explain how managers make sense of their network, and also a research tool to help achieve this understanding (see fig. 5.7):

![Network picture diagram](source: Discussions with Henneberg)

This model indicates that a manager has a network pictures which enables him to make sense of his network (1). This network picture may be obtained by the researcher, using the network picture as a research tool to investigate how managers perceived their network (2). The researcher may additionally have his own perception of the manager’s network (3). This is the researchers network picture which helps guide his study.

Network pictures exist on two levels of analysis: narrow and broad network pictures. Narrow network pictures are collected from managers as the unit of analysis. They can provide an insight into the individual frame of mind of actors, and therefore provide an understanding of what decision-makers believe to be relevant and important in business networks. Thus, they are defined as managers’ “subjective, idiosyncratic sense-making with regard to the main constituting characteristics of the network in which their company is operating” (Henneberg et al., 2006, p. 409. On the other hand, Ford et al. (2003) suggest
that network pictures, although based on the individual managers’ sense-making, can be integrated by the researcher into a broad network picture.

A third perspective is suggested by Mouzas et al. (2008) arguing that individual network pictures are not just representations of managers’ or companies’ views, but rather the interactions between managers. It is the clash of different network pictures which guides managerial actions by companies. Interactions therefore cause a shared understanding of the network environment (Weick and Roberts, 1993; Daft and Weick, 1984).

This perspective has also been addressed by Ford et al. (2002) arguing that managing in networks consists of three different aspects; network pictures, networking and network outcomes (fig. 5.8):

![Fig. 5.8: Relationship between networking, network pictures and network outcomes (Source: Ford et al., 2002)](image)

These three aspects are all inter-connected: Actors in a network will have their own network picture or perception of the network, based on their experience, relationships and their network position. Network pictures may be common views and stereotypes related to type of network, who should do what in the network and who is in control of the network. In terms of networking, Ford et al. distinguish between three aspects: First, an actor must choose within its existing relationships whether he will conform to the particular ways of operating, or confront the status quo of the network. The second aspect relates to network position. An actor must decide whether he wants to consolidate its existing network position or create a new position by changing the combination of existing relationships to create a new one. The third aspect relates to choices about how to network; an actor may
coerce other to do as he wishes, or to concede to wishes and initiatives of others. As companies simultaneously confront/conform, consolidate/create or coerce/concede, these processes produce network outcomes for the single actor, the dyad and the network. Network outcomes are very much affected by actor’s network pictures. If network outcomes are in line with network pictures, the network pictures are reinforced, and vice versa. Ford et al. (2005) argue that assessing one’s own network picture and that held by other actors, is a vital part of strategic analysis.

Referring to the present study, some Norwegian exporters have a common view or stereotype of the Japanese distribution system as rigid and inefficient, i.e. this is their network pictures. Based on these network pictures they may choose to conform to the system, i.e. make the best of it and use it as their main channel to market, or confront it by establishing direct distribution patterns, i.e. networking. Based on their experience they will form new network pictures as they see the world differently, or their existing network picture will be reinforced as their stereotypes have been confirmed, i.e. network outcomes.

Recent research in the areas of network management and business relationships shows increasing interest in this concept (Anderson et al., 1994; Henneberg et al., 2006a; Holmen and Pedersen, 2003; Mouzas et al., 2008; Mouzas and Naudè, 2007). Network pictures aid to our understanding of how managers react to dramatically changing network environments (Öberg et al., 2007) or to explaining strategic decision-making behaviour (Borders et al., 2001; Ford et al., 2002). Network pictures also helps understand strategic behaviour as differences and similarities in a firms perspective say something about options available to management (Bogner and Thomas, 1993; Osborne et al., 2001; Reger and Palmer, 1996; Smircich and Stubbart, 1985).

Although network pictures have gained a lot of interest, so far they have been developed mainly as a theoretical construct (Henneberg et al., 2006a; Mouzas et al., 2008) and it is yet to be developed and tested within inter-organisational exchange processes (Mouzas et al., 2008). Relatively few studies have empirically analysed the relationship between network pictures and network activities. Öberg et al. (2007) attempted to analyse whether network pictures changed as a result of mergers and acquisitions, and whether network pictures had any effect on the network structure or the “imprints” of network pictures. They found that a change in network structure such as a merger was not always
accompanied by a change in network pictures. They compared network pictures before and after a merger and found that “anticipated network pictures” were used as a basis for creating networking activities (e.g. the merger). But the activities post-merger differed to what the actors expected pre-merger. Hence, some actors reverted to their old pictures because the results of the merger did not come out as they expected. This study is important because it highlights the interface between network pictures and network activities (or the idea structure and the activated structure). It suggests that a new idea structure created by some actors (intentions by managers) is used to change the activated structure (merger), but the new idea structure does not necessarily reflect the new activated structure. As such, the network pictures concept as discussed above resembles the idea structure concept proposed by (Håkansson and Waluszewski, 2002).

5.3.7 Change in the idea structure

Changes in idea structures, or changes in perceptions of the network/network pictures, may follow the same pattern as changes in the activated structure previously described (fig. 5.9):

Established ideas or the perceptions an actor has of himself are confronted and challenged by new ideas created by interaction (A -> B). New ideas challenge established ideas about resource ties, activity links and actor bonds with other actors, and new ideas or perceptions about interaction patterns emerge (C -> D). These new views further challenge perceptions about what the network looks like, who the actors are, who are in control of resources, what directions the network is taking, etc. (E -> F). These pictures generate new pictures of resource patterns, activity links and actor bonds (G-> H), which again lead him to
reassessment of the actors own capabilities and structure (I). This is also a reoccurring process, where ideas are shaped and transformed through interaction.

Similarly we may talk about resistance to change in terms of ideas and perceptions. A new perception is likely to be created as a response to a challenge or confrontation of an established perception. The interaction process is in this respect a dialectic process where old and established ideas are confronted by new perceptions. In this confrontation lies an element of resistance in form of questioning, doubt and critical arguing. The results by Öberg et al. (2007) suggest that managers resist change by reverting to “old” network pictures.

5.3.8 Change in the idea structure vs. change in the activated structure

It is easier to create changes in the idea structure than in the activated structure. As Håkansson and Waluszewski (2002) state that: “…as with all of us, it is much easier to talk about changes than to carry them through” (p. 74). Changes in the activated structure imply physical changes; new resource ties, activity patterns and actor bonds. Change in the idea structure is easier. Ideas travel in time and space; they can be changed by the second. The key issue, however, is the interplay between these two representations of the network, i.e. the interface between the activated structure and the idea structure. Or in other words; the network pictures and the underlying network. According to Håkansson and Waluszewski (2002, p. 82) “…the adaptation of an activated structure to meet the new idea is probably only one side of the coin. Another way for an idea to materialize is that the idea structure is adapted to existing problems and opportunities in the activated structure.” This resembles the Ford et al.’s (2002) concept of network pictures, networking and network outcomes. They suggest that there is interplay between the picture/perception an actor has of the network (network pictures), the interaction process (networking) and resulting new pictures and new network structure (network outcomes). In other words, pictures or beliefs about the network (i.e. the idea structure) are challenged through interaction (interface) creating network outcomes (i.e. new idea structures and new activated structures).

However, any discussion of the network pictures concept is traditionally derived from debates concerning the underlying network structure. It can be argued that the interface between network pictures and the underlying network is not yet fully explored. The network picture concept is an important theoretical development, because it highlights that
an actor interacts with the network on basis of his personal interpretation of the network or “the reality”. But the importance of network pictures can not be fully comprehended if we fail to analyse their role in relation to the underlying network structure. Similarly, the development of the “real” network cannot be understood if we fail to recognize that actors base their actions on their perceptions of the network, not the network itself.

Combining the models describing change processes in the activated structure and the idea structure enables the following representation (fig. 5.10):

![Interface Diagram](image)

**Fig. 5.10: Interface between idea structure and activated structure**

### 5.3.9 Changes in the interface: An example

The emerging question is therefore: *What happens in the interface between the activated structure and the idea structure?* For instance, it appears from the initial study that there exist diverging interpretations about the efficiency of the traditional Japanese distribution system. Actors in the traditional system base their perceptions of this system on their own experience with it. In other words, their idea structure reflects the activated structure. Norwegian actors conversely base their perceptions of the Japanese system by comparing it to other markets (i.e. networks). This implies that their idea structure is partly based on other activated structures. Some Japanese actors, approached by Norwegian suppliers, share this view; their idea structure is in transition. Other Japanese actors have an idea
structure which is in contrast to the idea structure of the suppliers. This study may therefore also be seen as a case of conflicting idea structures that are not easily merged.

An emerging question is therefore whether it is possible to create a change in the activated structure without creating a change in the idea structure? Håkansson and Waluszewski (2002) clearly suggest that “the idea structure can also be seen as a source for making continuous changes in the activated structure” (p. 74). Or to pose the question differently: Is changing the idea structure a way to create change in networks?

From the initial study, it appears that some Norwegian exporters try hard to change the mind of their Japanese customers by telling them how inefficient their distribution system is. But they don’t manage to change it by merely questioning it. The Japanese believe it works perfectly well, and a proof of the superiority of the direct system is apparently not evident to them. The arguments Japanese importers face from their suppliers about the efficiency of direct distribution, reflect the supplier’s experience from other markets, i.e. other activated structures. Thus, it seems difficult to alter the idea structure without creating an obvious link to the activated structure. Håkansson and Waluszewski (2002, p. 82) touch upon this when they argue that “Whether it is the idea structure or the activated structure that has to be most adapted in order to create a new supply-demand interface, the space for this probably never exists in advance, but must be created”. They emphasise the importance of interaction in their analysis as no change can occur without the involvement and consent of other actors: “Adapting an existing idea structure and an existing activated structure is again something that no single actor can carry out independently, but something that all affected actors have to be involved in. Thus, the creation of a new supply-demand interface must be of interest to a number of different actors and, as these actors need to benefit from the new solution, this implies that in one way or another it must be linked to existing solutions” (p. 82). This is very much in line with the “proof” issue discussed previously; changes can only occur when there is a link between the idea structure and the activated structure. And this link must be beneficial to the majority of the actors involved. Following the line of thought raised by Håkansson and Waluszewski, these benefits are never fully comprehended prior to the change; they must be created by interaction. This raises some further questions: What happens when the link is not obvious to the actors? If interaction is a prerequisite for change, what happens when actors are only indirectly connected? There seems to be more consensus or agreement about the idea
structure in the direct Japanese distribution system. Here, actors are much more in direct interaction with each other. Suppliers have close contact with their Japanese importers, and they follow them all the way to the retailers and restaurants. Network pictures which the suppliers have about the inefficiency and need for change of the traditional system seem to be shared by the retailers. Some importers also share similar perceptions. This may serve as an example that interaction has created similarities in the idea structure, and this has had an impact on the activated structure in form of new roles of the importers, new resource ties, new activity links and actor bonds.

In the traditional system, it appears that the idea structure is more dispersed. The network pictures held by the suppliers, the importers and the traditional wholesalers at the fish market are conflicting. There are also suggestions that the pictures of the wholesaler and the end-users differ on a number of issues. The Norwegian exporters have little knowledge about what happens to their fish when it enters the Japanese market, and they rarely meet intermediary wholesalers, restaurants and retailers. Hence, their representations about the network are not changed by interaction, and clearly there is a weaker link between the idea structure and the activated structure. According to the empirical data, this creates a lot of tension and conflict for all actors involved. This may be one of the reasons why the system is slow to change in the direction the suppliers want. This may also serve as an explanation as to why the Japanese believe that the system works well and is in no need for a change. They base their perceptions about the idea structure on the interactions with other actors who are benefiting from this system, such as the secondary and intermediate wholesalers. Their idea structure is embedded in a distribution system which is deeply rooted in Japanese culture.

Norwegian actors have limited interaction with the wider activated network which the traditional system represents. Their ability to change this structure is limited because they have no way of challenging and probing the idea structure of this network. The empirical data also suggests that the Japanese wholesalers are very defensive about their structure, and do not want the suppliers to take an active part in it. Hence, it is difficult for the Norwegian suppliers to create changes when they have restricted access to and interaction with these actors. In this way, the Japanese are resisting change or preserving the activated structure by restricting access to the idea structure of actors wanting to change it.
The interface between the idea structure and the activity structure may be presented in the following model (fig. 5.11) based on Häkansson and Waluszewski (2002):

As this model suggests, there is an ever-changing interplay between the activated and idea structure: New ideas challenge established ideas. New activated structures replace established idea structures. New ideas challenge established activated structures. New structures challenge established ideas. And so on…

5.3.10 Final version of Model 2: An aggregate conceptual model of network change
If we extend this model by taking into account the change processes in the structures that we have described earlier, we arrive at the following representation (fig. 5.12):
Network change according to this model can be explained by the interfaces between the two-level structures, and between the established and the idea. This shows the relationship between network structure and network change.

This model illustrates the interface between established and new structures on the one hand, and changes in the activated structure and the idea structure on the other. It also illustrates that changes in the activated structure are brought about by changes at actor, dyad and network level, and similarly changes in the idea structure are results of a process where changes in the perception the actors hold about themselves, their relationships and the wider network are important factors. It is an attempt to integrate the concept of network pictures and the concept of change in order to analyse the relationship between these concepts.

For instance, the change from traditional to direct distribution in Japan may be seen as an example of moving from an established to a new activated structure. Using the example from Minicase 3 in Chapter 4 to illustrate the model, at the network level the Norwegian exporters develop relationships with a different types of Japanese importers. This further implies changes at the dyad level by creating new activity links (joint sales promotion, new resource ties (improved traceability) and actor bonds (more commitment). However, several of the Japanese actors in the traditional system reacted negatively to the changes, i.e. they resisted change.

At the same time there has been a shift in the perception of the effectiveness of the Japanese traditional distribution, and several actors see a shift in the idea structure from today’s system to a system better suited for new ideas about fish distribution. There are also ideas about who should do what in the new system, how resources should be best utilised and how relationships can be best managed. Ultimately, actors have perceptions of what is needed to happen within their own organisation as a result of these changes. As a result, there is a continuous interplay between these four structures and perception; actors in traditional distribution have ideas about current and future distribution, and actors in the new distribution systems have ideas about where the system comes from and where it is going.
Thus, Model 2 seems better at addressing the interplay between real changes and actors’ perception of changes apparent from the initial study, and where Model 1 was deficient.

### 5.3.11 Limitations of Model 2

However, the empirical findings in the initial study presented in Chapter 4 suggest that even though there is a change from traditional to direct distribution in Japan, these two systems are appearing alongside each other, and actors participate in one or sometimes both of these networks. For instance, a new look at the following table 5.1 indicates that Norwegian exporters operate in both networks simultaneously:

<table>
<thead>
<tr>
<th></th>
<th>Traditional system</th>
<th>Direct system</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Salmon</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Supreme Seafood</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>Norway Salmon</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>Rocky Coast</td>
<td>75%</td>
<td>25%</td>
</tr>
<tr>
<td>Royal Trading</td>
<td>50%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Table 5.1: Volumes sold through the two systems
(Originally table 4.12)

These empirical findings indicate that changes may well be appearing within structures, not only between structures as suggested by Model 2. But more importantly, Model 2 implies some kind of causality between the changes, a directional pattern where one change inevitably leads to another. But networks are complex and it is difficult to single out cause-and-effect relationships. Obviously, all changes have their causes and changes may well develop as suggested by Model 2. But it is difficult for the researcher to determine the nature of such a relationship. When applying Model 2 to Minicase 1 as described earlier in this chapter (how Norwegian salmon was first introduced in Japan), this example reads like a plausible story of change, but it is actually the researcher’s interpretation of how changes transcend through the actor, dyad and network level in the model. Change is understood in retrospect, and the real causes for these changes may lie somewhere else. However, as actors base their actions on their perception of changes and not necessarily the changes themselves, the important point is how these changes are interpreted and explained by the actors and how actors subsequently deal with them.

Model 2 is important because it addresses the time dimension lacking in Model 1, but it is still is deficient in explaining the changes identified in the initial study for reasons stated above. It needs to be reformulated into a new Model 3, aiming to explain how
changes take place within and between existing networks and which could serve as a starting point for the follow-up study.

5.4 Arriving at model 3: Change interfaces and change episodes

Ford et al (2002) introduce the terms *conform* and *confront* to illustrate the choices a company has when managing within its network. On one hand, actors may decide to conform to particular ways of operating which are tied by their relationships. On the other hand, an actor may decide to confront the status quo of the accepted ways of operating. Building on these concepts, one way of analysing change within and between structures may be in terms of *conforming vs. confronting structures*. Conforming structures are processes that are always present aiming to preserve and maintain the network. Change within these structures is a change aimed at maintaining the stability of the network. Change may be seen as a way of making the network more effective, but within the boundaries and purpose of the current network. These processes can be seen as changes at the actor level, changes within the relationships and changes within the network. But the changes are appearing within the network. They are not questioning the efficiency of the network by creating new links, bonds and ties to other networks aimed at destabilizing the network. Here is an example of how one can depict the interface between confronting and conforming structures (fig. 5.13):

![Diagram](image)

Fig. 5.13: The interface between confirming and confronting structures.

Alongside change processes going on within these established structures there are attempts to question the efficiency of the network, termed *confronting structures*. These structures are new ways of combining actors, resources and activities aimed at creating an alternative
structure believed to be more efficient than the established structure. Confronting structures are change processes aimed at altering the established or conforming structures by change at actor level (actors taking on new roles), change in the relationship (dyadic partners taking on new functions) and change at the network level (new actors are connected). These two processes are occurring simultaneously, but the one is also a prerequisite for the other. If conforming structures are considerably pressured over time by confrontation, the network may change in the direction of the confronting structure.

In a way the efficiency of the conforming structure is defined by the pressure of the confronting structures. A network needs to find a way to economize its resources and activities, and one way of achieving this is the pressure or threat of a parallel process to confront established policies.

5.4.1 Confronting and conforming structures: An example

As an illustration, the literature review in Chapter 2 indicated that the major criticisms of the Japanese market have been voiced by Western businessmen ever since the market opened up to foreign trade after the Second World War. But despite continued attacks on traditional Japanese seafood distribution, findings from the initial study in Chapter 4 indicated that the fish market still is the main route to market. So far, this pressure has not succeeded in changing distribution fundamentally towards more “Western” distribution channel management much favored by the Norwegian exporters. But the pressure (confrontation) may have had an effect in that it has made the channels more effective (conforming). Direct distribution currently only represents around 20% of fresh salmon sales. Over time this structure may prove to be more effective and may see the same kind of change which has been seen in Europe. But for the time being the efforts to change the system are as much a catalyst for economizing the traditional system, as it is a successful attempt to fundamentally change the general nature of seafood distribution in Japan.

5.4.2 Conforming and confronting structures vs. idea structures

One key factor determining the speed of change from conforming to confronting structures may be the role of exchanging network pictures, i.e. the degree to which the actors in the confronting structures are able to change the network pictures of the other parties. A network will have an idea structure or a network picture which resembles the conforming
structures, or an established network picture. As established or conforming structures are confronted, new network pictures may emerge. This may be new ideas about new resource combinations, new activity patterns, new actors entering, etc. These new network pictures will resemble the confronting structures because the justification of the confronting structure is based upon these new network pictures. The actors confronting the established structure base their criticism of it by some “ideal” picture, or what it ought to be or look like. These new beliefs are the major pressure for the conforming structure to economize in the first place, and over time change towards the structure proposed as a confronting structure. As such this new structure becomes de rigueur, and new attempts are made to change it. Fig. 5.14 shows how new idea structures are confronting established idea structures:

![Diagram](image)

Fig. 5.14: New idea structures confronting established idea structures:

One way to describe change is to look at the change processes going on within structures or change episodes. These are change processes at actor level, dyad/relationship level and network level. As such, change processes occur within the conforming structures aimed at making these structures more efficient. Similarly, there are change processes going on within a conforming structure both in opposition to and as an alternative to the established structures, but also in its own right aimed at making these structures more effective. Confronting structures hence serve a dual purpose; as a new way of utilizing resources and activities, and as a threat to the stability of the established structure.

We may further describe change as an interface between structures (or change interfaces); the slow (or rapid) move from a conformed established structure to a new structure proposed by confrontation, or the change from established network pictures to new network pictures. And there is the interplay between the” real” or “underlying” network,
i.e. the actual conforming and confronting structures, and network pictures which represent
the perception of these structures. If we combine conforming and confronting structures
and the one hand, and established and new idea structures on the other hand, we are able to
arrive at an amalgamated model (fig. 5.15):

![Diagram showing the relationship between conforming/confronting structures and established/new idea structures.]

Fig. 5.15: Model 3 showing the relationship between conforming/confronting structures and established/new idea structures.
Note: The numbers are referred to in the section below.

This framework represent a way of explaining change in networks by analysing change episodes (change within structures) and change interfaces (change between structures). Let us first look at the change interfaces:

**Change interface 1.1:** This is where new structures are challenging and confronting conforming structures, as exemplified by the pressure actors in direct distribution put towards traditional Japanese seafood distribution.

**Change interface 1.2:** As with change interface 1.1, there are similar interfaces between established and new idea structures. For instance, interviews with actors in the initial study illustrated how they used network pictures to explain the change from traditional Japanese distribution towards direct distribution.

**Change interface 1.3:** Established idea structures resemble the conforming structures. These idea structures are based upon the actor’s perception of the conforming structures and serves as a justification for these structures. Maintaining these idea structures is a way
of maintaining stability within the network. In the initial study the network pictures illustrated by the actors in the fish market, resembled the distribution patterns they experienced in this market structure.

**Change interface 1.4:** New idea structures serve as a justification for the actors in the confronting structures by legitimizing their efforts to put pressure on and change the conforming structures. New idea structures may resemble the present structures as they are a representation of the conforming structures. But they may also take the form of a future scenario, a way of describing what the network will look like in the future. They may also be based on actor’s experience of other markets or networks, i.e. they resemble other structures. In the initial study, actors engaged in direct distribution would illustrate this by network pictures indicating the “superiority” of direct distribution over the fish market. They would use these network pictures to build up arguments in favor of direct distribution.

**Change interface 1.5:** Actors in the confronting structures will try to impose their idea structures on the conforming structures, and this effort may be a key explanation for change in networks. The strength and rationale of the new idea structures and the degree to which it is shared by other actors will determined how strong influence the idea structures may have on the conforming structure, and hence the degree to which the conforming structure is likely to change in the direction of the confronting structure. In the study this is exemplified by the Norwegian exporters challenging the view of Japanese importers firmly rooted in traditional distribution.

**Change interface 1.6:** Actors in the confronting structure base their justification for creating this new structure (i.e. changing the conforming structure) on their interpretation of the idea structures resembling the conforming structures. If they believe that the conforming structure is inefficient, they may base their belief on their own experience (interface 1.1) and the belief of actors involved in the conforming structures (interface 1.6). In the initial study, actors who had engaged in direct distribution used their interpretation of the inefficiency of the fish market as a justification for their actions. A way to create change in the conforming structure is to question the idea structures of the actors embedded in this structure. From the initial study, several conflicts appeared because actors disagreed over which network picture resembling a “correct” view of reality.
Apparantly, change is not possible without changing the network pictures of the actors involved (interface 2).

Similarly, we can describe change episodes (change within structures) as follows:

**Change episode 2.1:** These are changes at actor level, relationship level and network level aimed at optimizing or economizing the current network structure. These changes may be connected, i.e. a change at actor level will impose a change at relationship level, which again will impose a change at network level. And likewise, a change at actor level will have an effect on the relationship of the actors involved, and subsequently the actors.

**Change episode 2.2:** These changes represent the confronting structures challenging the existing or conforming structures. Change episodes here are also aimed at creating an efficient network structure, but additionally they serve a dual purpose as they challenge the conforming structure. These changes are connected in the same way as change in the conforming structure described above (change episode 2.1), but change is also connected to the conforming structures (interface 1.1) as actors takes on new roles, resources are utilized in different ways of new resources are introduces, new activities are performed and subsequently the network changes in the direction proposed by the confronting structures (interface 1.1 and 1.5). Over time, the confronting structure may entirely absorbed by the conforming structure may be connected to other networks (or cease to exist). This new structure will in turn be challenged by new confronting structures questioning its efficiency.

**Change episode 2.3:** Changes within the established idea structures resembles changes in the conforming structure. This is a representation of the roles of the actors in the network, the resource flows and activity patterns, the power balance between the actors, how the actors see themselves in relation to others, etc.

**Change episode 2.4:** These new idea structures resemble the change episodes in the confronting structures. They also include some representation about future developments of the network. In this respect this structure is different from the other three structures because these only reflect current change patterns.
Thus, Model 3 in its final form may seem better fit addressing the interplay between real changes and actors’ perception of changes which became apparent from the initial study, and where Model 1 and Model 2 were deficient.

The next Chapter 6 describes how Model 3 was tested on the sample in the follow-up study.
6.1 Introduction

Chapter 4 illustrated that changes are happening within two structures; the fishmarket system and the direct distribution system. It also highlighted the role of perception in change processes as actors base their decisions on the perception of change rather than the change itself. Chapter 5 explored this relationship in more detail, and suggested that network pictures may represent a feasible concept when examining actors’ perceptions. Model 2 and subsequently Model 3 (see fig. 6.1. on next page) were therefore introduced as ways of explaining how a network changes from established to new structures on the one hand, and the relationship between real/underlying structures and idea structures/network pictures on the other.
This chapter describes how Model 3 was tested on data from the follow-up study, and due to this pre-analysis it needed to be reformulated to a new Model 4. This final model was also tested on the data, and found to be appropriate for analysing the data apparent in the follow-up study. This chapter is a description of this process.

### 6.2 Testing model 3 - Methodology

In an attempt to test model 3, a follow-up study was undertaken in 2007. The purpose of this study was twofold: First, to identify the conforming and confronting structures suggested in model 3, and second to analyse the established and new idea structures also suggested in model 3.

Regarding the first purpose, analysing the conforming and confronting structures, the Norwegian fresh salmon was followed or traced through the two distribution systems (the traditional fish market and the direct system) using personal observation and interviews. The sample was identified by asking the Norwegian exporters to name their Japanese importers. These customers were again asked to name their customers, and so on. This enabled tracing the salmon through the distribution chain, all the way from the exporter to the retailers and restaurants. The sample of Norwegian exporters was limited to Supreme Seafood and Norway Salmon as these two exporters had customers in both systems (see chapter 4). This limitation also came naturally as Global Salmon, Supreme Seafood and Rocky Coast had merged into one company, Supreme Seafood Norway since the initial study was undertaken.
Second, to analyse the established and new idea structures, lengthier in-depth interviews with key actors in the distribution chain were undertaken. Here, the respondents were asked to draw network pictures of what their network looked like five years ago, what it looks like today, and what it will look like five years in the future (see appendix D for an example of a network picture). These network pictures were then used to ask questions about changes in actor bonds, resource ties and activity links.

To conduct the interviews, an interview guide was developed. The main issues addressed in this guide were as follows:

- What has changed in your key relationships since our last interview? (for respondents interviewed in 2006)
- Why is this so? (for respondents interviewed in 2006)
- What are the consequences? For you? For your customers? (for respondents interviewed in 2006)
- What are the main changes you experience? (for new respondents)
- Why are they happening? (for new respondents)
- What do you do to adapt? (for new respondents)
- What did your network look like 5 years ago? (ARA) (for all respondents)
- What does it look like today? (ARA) (for all respondents)
- What will it look like in 5 years time? (ARA) (for all respondents)

Interviews in Norway were done in May and August 2007, and interviews in Japan were done in November 2007. Several of the respondents interviewed in the follow-up study were also interviewed during the initial study in 2006. This made it possible to say something about changes in the relationships over time, although this study cannot be characterised as a longitudinal study.

All interviews were conducted in Norwegian or English (see appendix C for an example of a transcript). The majority of the interviews in Japan were conducted using an interpreter. In all cases except for one the supplier served as an interpreter (the interview with Tsukiji General Director was conducted using a professional interpreter paid for by the NSEC – The Norwegian Seafood Export Council). Using a close business partner as an interpreter
instead of a professional interpreter may bias the interview as the respondent may not be open about sensitive issues. On the other hand, it is extremely difficult to access Japanese companies without a formal introduction. In Japanese business practice, personal relationships and trust are paramount (Abrahamsen, 1992) and it may be difficult for Western researchers to approach the respondents directly without a prior relationship. Additionally, a hired interpreter was costly and would be an unknown third-party to the respondents. This trade-off between access to respondents and access to information was hopefully solved by highlighting issues from several angles during the interview, or returning to difficult questions later when the respondent was “off guard.” Using the supplier as an interpreter also turned out to be a valuable asset as he knew the industry and could come up with relevant issues to be probed during the interview. This also opened up a range of interesting follow-up questions where the supplier himself was the interviewee.

The sample from the follow-up study is presented in table 6.1 below (Company names have been altered):

<table>
<thead>
<tr>
<th>Company Type Key respondent</th>
<th>Company Type Key respondent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Norwegian sample</strong></td>
<td></td>
</tr>
<tr>
<td>Supreme Seafood Norway(Merged with Global Salmon and Rocky Coast) (*)</td>
<td>Exporter</td>
</tr>
<tr>
<td>Norway Salmon (*)</td>
<td>Exporter</td>
</tr>
<tr>
<td><strong>Japanese sample</strong></td>
<td></td>
</tr>
<tr>
<td>Karatsu Gyorui Co. Ltd. (*)</td>
<td>Primary Wholesaler</td>
</tr>
<tr>
<td>Marukawa</td>
<td>Primary Wholesaler</td>
</tr>
<tr>
<td>Tokyo Fisheries Fisheries Corp. (*)</td>
<td>Importer/secondary wholesaler</td>
</tr>
<tr>
<td>Supreme Seafood Japan (*)</td>
<td>Importer</td>
</tr>
<tr>
<td>Various buyers at Tsukiji I</td>
<td>2nd wholesaler</td>
</tr>
<tr>
<td>Bluewater Trading</td>
<td>Importer</td>
</tr>
<tr>
<td>Yamanochi</td>
<td>Distributor</td>
</tr>
<tr>
<td>Sensei(Narita Airport)</td>
<td>Distributor</td>
</tr>
<tr>
<td>Sensei(Kansai Airport)</td>
<td>Distributor</td>
</tr>
<tr>
<td>Flying Bee</td>
<td>Distributor</td>
</tr>
<tr>
<td>Shiotachi</td>
<td>Processor</td>
</tr>
<tr>
<td>Asahi Retail</td>
<td>Retailer</td>
</tr>
<tr>
<td>BCB</td>
<td>Retailer</td>
</tr>
<tr>
<td>Yoshimoto</td>
<td>Retailer</td>
</tr>
<tr>
<td>Maruaki</td>
<td>Retailer</td>
</tr>
<tr>
<td>Tokyo Metro. Government</td>
<td>Gov administration, Tsukiji</td>
</tr>
<tr>
<td>Sensei(Narita Airport)</td>
<td>Distributor</td>
</tr>
<tr>
<td>Sensei(Kansai Airport)</td>
<td>Distributor</td>
</tr>
<tr>
<td>Flying Bee</td>
<td>Distributor</td>
</tr>
<tr>
<td>Shiotachi</td>
<td>Processor</td>
</tr>
<tr>
<td>Asahi Retail</td>
<td>Retailer</td>
</tr>
<tr>
<td>BCB</td>
<td>Retailer</td>
</tr>
<tr>
<td>Yoshimoto</td>
<td>Retailer</td>
</tr>
<tr>
<td>Maruaki</td>
<td>Retailer</td>
</tr>
<tr>
<td>Tokyo Metro. Government</td>
<td>Gov administration, Tsukiji</td>
</tr>
</tbody>
</table>

Table 6.1: List of sample, follow-up study. (*) indicates that this respondent was also interviewed in the initial study.

The interviews were taped and later transcribed. All the respondents were asked for permission to be recorded and no-one objected. Using a tape recorder may jeopardise the
trust needed to be built up during the interview, but trust had already been established using the supplier as an interpreter, and some of the respondents had already been interviewed for the initial study. Interviews conducted in Norwegian were translated into English for transcription.

6.3 Testing Model 3 - Pre-analysis

In an attempt to test Model 3, a sub-sample representing a Norwegian producer (Norway Salmon), a Japanese importer (Bluewater), a processor (Shoitachi) and a retailer (Asahi Retail) was submitted to a pre-analysis. This sub-sample was selected because it happened to be the first set of data collected. Based on data from the four interview transcripts, changes evident from these interviews were mapped using the three levels (actor, dyad and network level) in each of the four boxes. From this pre-analysis it became apparent that it made sense to look at changes in terms of the time dimension. In the attempts so far to create a conceptual model the time dimension has been used, either as “established” vs. “alternative” structures (Model 2), or “conforming” vs. “confronting” structures (Model 3). Several of the changes discussed by the respondents could be mapped along such dimensions. Further, locating change to specific levels such as the actor, dyad and network level also seemed useful, as all the changes discussed by the respondents could be allocated to one of these levels. As such, Model 3 is useful in that it addresses the time and space dimension of network change, i.e. the boxes to the “left” in Model 3.

However, it became more challenging using the boxes to the “right” in Model 3, the network picture or the idea dimensions. It was difficult to decide whether a change was to be classified as a change in the respondent’s idea structure/network picture, or a change in the actual network. For instance, the Bluewater respondent said that they “…sell about 50% to the old distribution channel, which is the fish market, and 50% is a kind of direct distribution…” For Bluewater this framework has increased significantly.” Does he talk about the “real” changes here, or is this his interpretation of the changes? Another quote from Norway Salmon illustrates this further: “We haven’t seen the main changes yet. Compared to the other main seafood markets things are slow in Japan. But the underlying change which we see is accelerating is a more direct contact between suppliers and end user. One reason is that this is a global trend and on the retail level in Japan they wish to adopt purchase strategies and management practices used by international retail chains such as Carrefour and Wal-Mart. They are inspired by this and they see that if they are to
survive they have to get closer to the origin of the products that they source. This is to a
great part driven by the retail level.” Here he talks about a range of issues; Changes and
why these changes are appearing. But it is difficult to isolate whether this is a real change,
something which is actually happening, or if it is the respondent’s own perception of what
is happening. This prompted some vital questions: Is this an account of actual changes, or
the respondent’s account of these changes? Is it at all possible to discern or draw the line
between real and perceived changes? If so, how can this be measured, and in what way is
this accounted for in the research design?

This is actually a question about epistemology. Epistemological approaches may be
broadly grouped in two categories; positivism and relativism. A positivist approach to
science sees science as value free, and it separates facts from values. Science is largely
based on quantitative data, derived from the use of strict rules and procedures. The purpose
of science is to discover natural laws and causal relationships. Explaining an attempt is
simply relating it to the general law. For social sciences such as management sciences, the
general positivist approach has been criticised for being less applicable: “The positivist
notion [is] that science becomes credible and possible because every scientist looking at
the same bit of reality sees the same thing. However, it has been amply demonstrated that
what observers see is not determined simply by the characteristics of the thing observed;
The characteristics and perspectives of the observer also have effect” (Robson, 2002, p.
21). Social scientists would argue that social phenomena do not exist “out there” as
advocated by positivists, but in the minds of people and their interpretations. Reality
cannot be judged objectively; reality is interpreted social action.

Relativism rejects the view that the “truth” about the social world can be established by the
natural sciences. Relativism in its most extreme form holds that there is no external reality
independent of human consciousness, there are only a set of meanings which people attach
to the world. Relativists hold that science is not value free, science is a socially constituted
construction and that there is a loose connection between data and theory confirmation as
advocated by positivists (Robson, 2002). As such, a relativist stance is seen by many as
appropriate for the social sciences. Relativism is also labelled “constructivist” (Berger and
Luckmann, 1967), “interpretive” (Sewardt, 1994) or “naturalistic” (Guba and Lincoln,
1994). In Robson’s view, the constructivists are the heirs to the relativists. Constructivist
researchers also reject the positivist stance that reality is objective which can be known.
“They consider the task of the researcher is to understand the multiple social constructions of meaning and knowledge. Hence they tend to use research methods such as interviews and observations which allow them to acquire multiple perspectives. The research participants are viewed as helping construct the reality with the researchers” (Robson, 2002, p. 27). This stance also seems to be more applicable for the study of social sciences. Thus, in the epistemological debate it seems more accurate to look at the interviews as an account of changes as seen by the actors, resembling relativism or constructivism. Whether they are real or perceived is of less importance.

As discussed in previous chapters, studies indicate that actors take actions on the basis of their perception of changes, not necessarily the changes themselves. What appears from the interviews is a representation of the respondent’s views, and should be treated as such during the analysis. The empirical base is thus a representation of actor’s perceptions of change; they are not a measure of change in itself. When first setting out to obtain the second round of data, this was done in an attempt to verify model 3. Tracking the salmon was an attempt to say something about the boxes on the left side of the model in order to identify the underlying or real network and getting the network pictures was an attempt to say something about the boxes to the left side of the model. However, observing activity links and resource ties, interviewing actors about their perception of change and the tracking the salmon are all examples of a researcher’s representation of the network, and does not necessary reflect the structure of the underlying or “real” network.

Adopting a different research design, factors that would have been open to unbiased verification or measurement, such as quantities, volumes, money transfers, temperature changes, etc. might have been identified, isolated and classified as changes in a “real structure” less open to personal interpretation. But that would have called for a different set of measurements which were not included in the research methodology of the present study.

However, the methodological base of the present study consists of in-depth interviews with actors in the distribution chain and their network pictures of their surrounding network. These network pictures are used to discuss changes on two broad dimensions; level (actor, dyad and network) and time (past, present and future). In addition, personal observations of
activity links, resource ties and actor bonds as they are today, i.e. the present state of the
network, have been made.

What can be generated from the data is therefore an analysis of how the network has
changed to date, what future direction the network is likely to take, and how the actors are
coping with and adapting to these changes. Finally, how actors make sense of these
changes can also be derived. This is an important point: The pre-analysis of data from the
follow-up study indicated that it is useful to include some facets of how actors make sense
of changes in the analysis, not merely look at the changes themselves. In other words, there
is a need to distinguish between how a respondent describes a change, and how they
discuss what causes this change. As such, the boxes to the right in Model 3 still need to be
used but they need to be termed differently.

Subsequently, a new model not only including level of change (actor, dyad and network)
and time (past, present and future), but also taking into account what actors explain and
make sense of changes was introduced.

6.4 Arriving at model 4

Networks change over time. Current change is embedded in events which happened within
the network structure in the past; and the current situation impacts on future options or
shapes future network development by activating assumptions and expectations
(Håkansson and Waluszewski, 2002). Thus, to understand business interactions and
especially changes within business networks, it is important to capture the time dimension
(Ford et al., 2008).

It may be useful to look at change from something that was and towards something that is,
and subsequently how will be in the future (fig. 6.2). Along the vertical axis in this model
is the time dimension, or more precisely the respondent’s recollection of what the network
used to look like then (past), what it looks now (present) and what it will be (future).
Further, on each three of these dimensions, changes can be classified as whether they occur
at the actor, dyad or network level. For simplification, we call this the “what”-column,
because here we can map what is happening in the network. This dimension of network
change relates to the area of the business network in which a change manifests itself, i.e.
the level of change. From the perspective of a focal company within a network, change can
affect either an individual actor within the network (either the focal company itself, or another actor in the business system), or it can be important for specific business relationships, such as the interactions between companies on a dyadic level. However, the level of change could also reside in the network itself, thus affecting the whole business system. An example could be the incremental change of introducing an updated SAP system in one company. This activity could either be seen as resulting only in change of the company where it is introduced (e.g. single actor level), or it could mean that the suppliers to that company needed to adapt their JIT and EDI systems to the new SAP standards (e.g. dyadic level change). In an extreme case, all companies in the system would need to adapt their processes with the resulting change activities permeating the business network (e.g. network level change). Thus, model 4 exemplifies what Ford et al (2008) sees as a key aspect of the ARA-model, “namely that actor bonds, resource ties and activity links do have consequences that go beyond the specific relationship in which they arise. They result from and have effects not only on what is happening between the actors but also within the actors themselves and within their other relationships” (Ford et al., 2008, p. 14).

But the picture is not complete without the “why”- column, because the actors need to try to make sense out of what is happening in the network, i.e. why things are happening, or why companies act as they do. For the sake of analysis we call these issues “sensemaking devices,” how an actor makes sense of what is happening around him. This type of sensemaking device can be found at three levels: the actor, the dyad and the network level. Thereby, Model 4 adds the dimension which was suggested by Model 2; changes have causes and effects. But whereas Model 2 suggested that there was some kind of directionality in explaining the changes, Model 4 suggests that changes experienced by actors (the what-column, or the effects of change) have individual interpretations (the why-column, or the causes of change).

For instance, one actor may attribute the change of introducing a new version of SAP to some action taken by an individual company, e.g. because a new CEO is keen to introduce updated technologies. But the same change could also be explained because a key customer is forcing this change onto a (dyadic) relationship, or because of a network effect which makes it necessary to conform to a certain software standard in the business system.
Fig. 6.2: Model 4

According to this model, changes occur along the \textit{what}-column (boxes A, B and C) at actor, dyad and network level. Driving the change or making sense of the change is a \textit{sensemaking processes} or \textit{sensemaking devices} in the \textit{why}-column (boxes D and E). This explains the arrows between boxes A and D, and B and E. Boxes C and E are dotted as they are concerned with the future. Boxes A, B and D represent changes that are happening or have happened, and thus may be accounted for.

One way to use this model is to copy the respondent’s network picture into the N frame of boxes A, B and C. The changes discusses during the interview can then be presented as to whether they occur at A, D or N level in there three boxes. Boxes D and E can be used for describing how the respondent makes sense of why changes have happened (box D) and why changes will happen in the future (box E).
Comparing model 4 to model 3, model 3 may be seen more as a theoretical model aimed to explain how actors perceive the network in relation to how the network really works. Model 4 takes a different stance in that it derives from a different epistemological paradigm: it sees the actor’s representations of the network as their perceptions, not necessarily an accurate account of how the network is constructed. As such, Model 4 is largely a methodological model aimed to map differences in actors’ perceptions of network change, rather than a theoretical model aimed to explain network changes.

6.5 What is sensemaking?

The model refers to sensemaking processes or sensemaking devices. But what is sensemaking? Weick (1995) says that “the concept of sensemaking is well named because, literally, it means making sense. Active agents construct sensible, sensable events. They structure the unknown” (p. 4). This definition neatly encompasses what is referred to when introducing the expression sensemaking at actor, dyad and network level. Actors need to make sense of the world around them. Making sense means explaining what is happening from some frame of reference. Sensemaking is not a collective action, says Weick, but is related to the individual actor. It serves as a useful conceptual framework for the present study as it tries to make sense of collected data from individual respondents.

Ring and Rands (1989) define sensemaking as “a process in which individuals develop cognitive maps of their environment” (p. 342). This definition suggests that network pictures may be seen as examples of sensemaking. Weick (1995) describes seven properties of sensemaking. These will be explained with reference to the present study:

1. Grounded in identity construction

Weick suggests that sensemaking will depend on identity construction: “Depending on who I am, my definition of what is out there will also change” (Weick, 1995, p. 18). The “trap” is that an actor may hold different identities: “The sensemaker is singular and no individual ever acts like a single sensemaker” (Weick, 1995, p. 18). This suggests that individual actors will see the world differently depending on where they are. Thus, it seems appropriate to compare different perceptions across a network as these perceptions are unique to the individual actor. This further implies that two actors may have different interpretation of the same event.
Weick talks about interaction as a defining property for identity construction. This position has also been discussed within the IMP group (see chapter 5). According to Weick, “to shift among interactions is to shift among definitions of self. Thus the sensemaker is himself or herself an ongoing puzzle undergoing continuing redefinition, coincident with presenting some self to other and trying to decide which self is appropriate” (Weick, 1995, p. 18). Here he touches upon one of the fundamental concepts of the interaction approach; it is the interaction that defines the actor, not the other way around.

2. Retrospective

“Perhaps the most distinguishing characteristic of the present conceptualization of sensemaking is the focus on retrospect” (Weick, 1995, p. 18). This idea of retrospective sensemaking was first discussed by Schutz (1967). People can only know what they are doing after they have done it. This means that it is valid to ask actors about changes from past to present as they now are able to interpret them. However, to what extent do these accounts represent actual changes? In Weick’s view the past is reconstructed knowing the outcome of events, which means things never happened exactly the way they are remembered to have happened. This implies that changes should be viewed as perceptions by the actor, rather than real changes, a point made in Chapter 3 and in the introduction to Model 4 in the beginning of this chapter.

But does it make sense to ask about future changes when all changes are seen in retrospect? Weick suggests that “it is easier to make sense of events when they are placed in the past, even if the events have not yet occurred” (Weick, 1995, p. 29). To capture the essence of this, care has been made to phrase questions about future changes in such a way that the respondents can put themselves in a future situation and look back upon changes. The question “In five years time, what has happened in your network?”, is a good example of retrospective phrasing, instead of questions like “what will happen in the future?” This way sensemaking can be extended beyond the present: “As a result, present decisions can be made meaningful in a larger context than they usually are, and more of the past and the future can be brought to bear to inform them” (Weick, 1995, p. 29).

3. Enactive of sensible environment

In Weick’s terms actors often produce the environment they face. Weick draws a parallel between managers and legislators when he suggests that both groups construct reality
through authoritative acts. The environment is thus a representation of the actor’s perception, and not a defining entity. This also means that different actors will have different views of which environment they face, and how it influences them. “Instead, in each case the people are very much part of their own environment. They act, and in doing so create the materials that become the constraints and opportunities they face” (p. 31). This thinking very much resembles Håkansson and Ford’s (2001) suggestion that the network is both an opportunity and a constraint. But Weick goes further when he suggests that it is the perceived network or environment which acts as a constraint or opportunity. It therefore seems relevant to ask whether actors see changes appearing at actor, dyad or network level. These three levels constitute the larger “environment” these respondents face, and which they try to make sense of. As previously stated, one actor may attribute a change to someone else’s actions (sensemaking at actor level), or to a change in his relationships with another actor (sensemaking at dyad level), or to a change in his wider network (sensemaking at network level). Using the term “sensemaking at actor, dyad and network level” captures the essence that sensemaking is enacting the environment, as “the environment” in the industrial network approach is defined as a network of connected relationships.

4. Social
Even though sensemaking is defined at the individual level, it is a social process. “Human thinking and social functioning … [are] essential aspects of one another” (Resnick et al., 1991, p. 3 cited in Weick, 1995). Sensemaking is never solitary because what a person does internally is contingent on others, according to Weick: “Conduct is contingent on the conduct of others, whether those are imagined or physically present” (Weick, 1995, p. 39). This implies that sensemaking is determined by interaction. Actors are likely to change their actions on the basis of their perceptions, and change their perceptions on basis of their actions. Thus, comparing how several actors in the same network describe changes (action) and how they explain changes (perception), as made possible by the model, may be a way to say something about how interaction shapes perceptions by the actors.

5. Ongoing
Sensemaking never starts, says Weick. As interaction is an ongoing process, sensemaking is an ongoing process: “People are always in the middle of things, which become things only when those same people focus on the past from some point beyond it” (p. 43). This
implies that to understand change by asking actors to explain the changes they have experienced at a certain point in time, will never give the full picture, simply because it is impossible to get the full picture. What we get when asking respondents about changes are snapshots in time. But snapshots, even limited, will always bear information. And this information can be analysed to gain further insight.

6. Focused on and by extracted cues

“Investigators… are more likely to see sense that has already been made than to see the actual making of it. Sensemaking tends to be swift, which means we are more likely to see products than processes” (Weick 1995, p. 49). When studying sensemaking we should look for extracted cues. Cues are in essence answer to the question “what is made sense of here?” Objects and events are examples of such cues. It seems appropriate to study sensemaking by looking at how actors describe events in the past, present and future, as suggested by the model.

7. Driven by plausibility rather than accuracy

Sensemaking seems to suggest some realist ontology, implying that there is something out there to be registered and sensed accurately, says Weick. But “the sensible is not sensable, and therein lies the trouble” (p. 55). “Given multiple cues, with multiple meanings for multiple audiences, accurate perception of ‘the’ object seems like a doomed intention. Making sense of that object, however, seems more plausible and more likely” (p. 57). This discussion is similar to the methodology discussion raised in the beginning of this chapter. Data from this study are not accurate descriptions of real events, but they are the respondent’s recollections and perceptions of these events.

Changes are occurring constantly in networks. Knowing that in “reality” it is difficult to single out events whether they occur at actor, dyad or network level, there is still a need to find some way of turning actors accounts of changes into meaningful data fit for analysis. This model provides a way of systematically analysing these changes. In many ways the model is the researcher’s way of making sense - it represents his sensemaking.

Having introduced Model 4 and discussed some of its theoretical assumptions, it was tested on the total sample from the follow-up study as shown in table 6.1 at the beginning of this chapter.
6.6 Testing model 4 using template analysis

In order to test the model on my empirical sample, a way of turning the interview transcripts from the follow-up study into manageable data fit for analysis was required. One way to achieve this is template analysis. According to King (2004), template analysis can be applied within two main epistemological positions: On the one hand, it can be employed in a realist positivist framework which aims to discover some “underlying laws” of human action. Conversely, template analysis may be used in a “contextual constructivist” position, where multiple interpretations of any phenomena may be arrived at, depending on the perspective the researcher takes and “the richness of the description produced” (p. 257). This latter definition is very much in line with the purpose of this study. Template analysis is not a distinct research methodology in itself, but enables looking at the text from various angles, all depending on the templates and categories. It also provides a flexible and continuous process of altering categories and finding better suitable positions of analysis as one works through the material. This is very much in line with the nature of qualitative research.

According to (King, 2004) sources for the initial template may be the “interview topic guide…. the academic literature, the researcher’s own personal experience, anecdotal and informal evidence and exploratory research” (p. 259). Some of these sources will now be dealt with:

From the research topic:
The research topic is how actors adapt to changes in industrial network. During the interviews the respondents were asked about what their network looked like 5 years ago, what it looks like today, and what they think it will look like in the future (5 years ahead). Model 4 suggests that these changes can be analysed in terms of being explanations of what is happening, or why it is happening.

From the literature:
This research is set in the tradition of the industrial network approach (Håkansson and Snehota, 1995). In this approach a network can be studied in terms of the activity links, the resource ties and the actor bonds that characterises business relationships between two
actors. Change in the industrial network approach is very much a study of changes in these three facets of a business relationship.

With these two perspectives in mind, it became possible to create an initial template to facilitate an analysis of the empirical data in terms of model 4 (see fig. 6.3):

<table>
<thead>
<tr>
<th>1. Passage from text</th>
<th>2. No.</th>
<th>3. What is happening?</th>
<th>4. Why is it happening? What is driving the change?</th>
</tr>
</thead>
</table>

Fig. 6.3: Initial template

6.6.1 Testing initial template

Going through each passage from the transcripts (column 1), this template enabled classifying the statements as to whether the respondent described the changes itself (column 3 – what is happening), or why the changes happened (column 4). In terms of Model 4, column 3 describes changes located in boxes A (past), B (present) or C (future) at Actor, Dyad or Network level. Likewise, column 4 contains description of changes located in box D (present) or E (future). To keep track of the changes in the model, each change described in the template was given a unique number (column 2).

Here is an example of how a quote was interpreted using this template (fig. 6.4 Appendix E):

We haven’t seen the main changes yet. Compared to the other main seafood markets things are slow in Japan. But the underlying change which we see is accelerating is a more direct contact between suppliers and end user. One reason is that this is a global trend and on the retail level in Japan they wish to adopt purchase strategies and management practices used by international retail chains such as Carrefour and Wal-Mart. They are inspired by this and they see that if they are to survive they have to get closer to the origin of the products that they source. This is to a great part driven by the retail level.

1 Here he describes the general change towards direct distribution

This change is explained by retailers adopting new purchasing practices, and this is sensemaking on actor level

Fig. 6.4: Interview data analysed in terms of initial template
Having gone through the transcripts using this template, the changes described were then mapped in Model 4. As a starting point for the analysis, the network pictures as presented by the respondents during the interview were copied into boxes A, B and C. Changes at network level could then be presented as whether they represented a change from box A to box B (i.e. from “Past” to “Present”), or from B to C (from “Present” to “Future”). Corresponding changes at actor and dyad level could be featured using the A and D frames. Likewise, discussing why the changes appeared using box D and E, a number of changes could be fitted into these boxes depending on whether they appeared at the actor, dyad or network level. Here is an example of how the model was applied (fig. 6.5 and Appendix F):

Fig. 6.5: Mapping changes on Model 4 using the template
In fig 6.5, the respondent’s network pictures are introduced in boxes A, B and C, representing the *manager-network picture* dimension (1) in the illustration introduced in fig. 5.7 (see fig. 6.6 below). The dots are numbered, and each number represents a particular change described in the template (column 2 in fig. 6.4). Between the dots are lines indicating how the dots are connected. Vertical lines from A to B and from B to C represent descriptions of changes which have happened or which will happen. On a number of occasions the respondent uses boxes D and E to discuss why these changes are happening. This explains the horizontal lines and the diagonal lines.

![Network picture diagram](image)

**Fig. 6.6: Relationship between managers and researchers network picture (originally fig. 5.7)**

### 6.6.2 Coding data at the actor, dyad and network level

When applying the model to the data, how does one know what data to put where? As said earlier, the “what” column says something about how actors describe changes and the “why” column says something about how these changes are explained. Further, changes in the “what” and “why” columns may appear at Actor, Dyad or Network level. Defining what is meant by these three levels becomes a vital part in constructing the model.

**Defining change at actor level**

Examples of change at actor level may be hiring a new manager, revising a marketing strategy and developing new products. But these examples instantly remind us that a company is a product of its interactions. New employees come from somewhere, strategies are made in response to someone else’s moves, and new products are developed as a response to someone else’s needs. As such, all changes at actor level are interconnected with changes at dyad level, and changes in the wider network. In the IMP tradition,
relationships are more important than actors. But relationships would not exist without actors. We need to have at least some way of classifying changes at actor level. Largely speaking, we may say that changes at the actor level are concerned with everything that happens within a company.

Defining change at dyad level

Change at dyad level is concerned with what happens between companies. Defining change at this level is perhaps easier as there is a plethora of literature and studies within the IMP tradition that serves as a guide. In broad terms, change at the dyad level may be defined as a change in actor bonds, resource ties and activity links (Håkansson and Snehota, 1995):

Actor bonds may be studied in terms of adaptability, conflict/cooperation/power/dependency and trust/commitment. Why a Japanese importer prefers to buy salmon from one exporter over the other, is an example of actor bonds.

Resource ties may be studied in terms of manpower, technological facilities, information, financial resources, materials and equipment. Salmon for instance is an example of a resource. It is a good (material) and it has a price (financial resource), it has a certain quality (information), it comes in an iced box (materials and equipment), and it has been handled by a number of people (manpower).

Activity links may be studied in terms of what companies do together. Production facilities, research and development, sales and marketing, purchasing, distribution, administration are all examples of activities that companies may share. The salmon example indicates that actor bonds, resource ties and activity links are entwined. Buying a salmon (a resource) involves negotiation, sales, purchasing, distribution, storage (a number of activities) and it is conducted in a certain manner between the actors, e.g. friendly or tough (actors bonds).

Even though these three characteristics of a dyad are interlinked and that a change in one dimension usually results in changes in the other two, we still need to describe them separately for the purpose of this study.
Defining change at network level

Networks are connected relationships. Change at network level may therefore be defined as change in more than one relationship. For instance, if a Japanese importer buys less salmon from a Norwegian exporter, this is a change at dyad level. But at the same time he may start buying salmon from another Norwegian exporter, or from a Chilean supplier. Thereby a change at the dyad level becomes a change at the network level.

It should be noted that statements by respondents referring to more general changes in the “environment” or macro-economic trends have been coded at this level. For instance, if a respondent refers to “a change in Japanese customer preferences”, or a “Western distribution trend”, these are coded at the network level, as this is the most appropriate level of the three to locate them.

6.6.3 Explaining change density - Introducing the initial dottogram

In order to get a clearer picture of where the changes occur in the model and the connections or line between the boxes, the “dottogram” was created. In this initial dottogram, each dot is a change referred to by the respondent. Several dots will therefore indicate change density, i.e. there are a lot of changes occurring at this level, and vice versa. Empty boxes indicate that there are no changes discussed at this level.

Based on fig. 6.5, this is what the initial dottogram looks like in Norway Salmon’s case (fig. 6.7):

![Fig. 6.7: Mapping changes on Model 4 using the initial dottogram](image-url)
At this stage of analysis it was decided to omit box A from the initial dottogram. In fig. 6.5, Box A is useful because it presents the respondent’s network picture of how the network looked like 5 years ago. But the initial dottogram aims to describe the changes from past to present (from A to B) discussed by the respondent when drawing the network pictures. These changes may therefore be presented in box B in the initial dottogram. Likewise, all the statements about changes from B to C are listed in box C. As such, the initial dottogram represents a slight modification of Model 4, but this is done to enable a more coherent analysis. Perhaps an insertion of a space between boxes A to B and B to C describing changes from one network picture to the other could have been a better way of describing the changes discussed, but this would have introduced more variables and complicated the subsequent analysis.

The initial dottogram in fig. 6.7 gives an opportunity to create a general overview of change density in Norway Salmon’s case. For instance, here it appears that the respondent is primarily discussing changes at dyad level (7 dots) and network level (3 dots), and to a lesser extent the actor level (1 dot). The respondent seems to explain the reason for future changes in the network (box c) by emphasising the actor level in box E (14 dots).

6.7 Creating the revised template – going behind the numbers

To gain a deeper analysis of the changes described in these four templates, it is however necessary to look behind the numbers and say something about what the dots represent in terms of actor bonds, resource ties and activity links. This requires a more detailed analysis regarding the density of change and the connection between the boxes. It was therefore decided to modify the template. According to (King, 2004), modifications in terms of insertion, deletion, changing scope or changing higher-order classification are likely outcomes of this process. In terms of this analysis, categories concerning level (Actor, Dyad or Network level) and time (present i.e. boxes B and D and future i.e. boxes C and E) were added to the template. Then each respondent’s template was reviewed and more details were noted whether changes appeared on the actor, dyad or network level in the respective boxes. Thus, the final template represented all the relevant boxes in Model 4 (B, C, D and E), and their relevant subsections (A, D and N), altogether twelve possible combinations for classification. This is very much what King refers to as changing scope and changing higher-order classification.
When creating a final template, King (2004) argues that there is a problem regarding where to stop the process of development. Once could literally go on forever to create the ideal template. But there is a trade-off between comprehensive coding and analytical simplicity. Bearing this in mind, this is by no means a definite template, but it illustrates the process undertaken trying to create a template that would help in analysing the text. This is what the final template looked like (fig. 6.8):

<table>
<thead>
<tr>
<th>Passage from text</th>
<th>N</th>
<th>What is happening?</th>
<th>Level details</th>
<th>What is driving the change?</th>
<th>Level details</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>BA, BD, BN</td>
<td></td>
<td>DA, BD, DN</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>CA, CD, CN</td>
<td></td>
<td>EA, ED, EN</td>
</tr>
</tbody>
</table>

Fig. 6.8: Final template

Thus, a way to classify the statements as to what happens, why it happens and on what level it happens had now been made. Here is an example of how a quote can be interpreted using this template (fig 6.9):

<table>
<thead>
<tr>
<th>Passage from text</th>
<th>N</th>
<th>What is happening?</th>
<th>Level details</th>
<th>What is driving the change?</th>
<th>Level details</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>BA, BD, BN</td>
<td></td>
<td>DA, BD, DN</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>CA, CD, CN</td>
<td></td>
<td>EA, ED, EN</td>
</tr>
</tbody>
</table>

““We haven’t seen the main changes yet. Compared to the other main seafood markets things are slow in Japan. But the underlying change which we see is accelerating is a more direct contact between suppliers and end user.

One reason is that this is a global trend and on the retail level in Japan they wish to adopt purchase strategies and management practices used by international retail chains such as Carrefour and Wal-Mart. They are inspired by this and they see that if they

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are to survive they have to get closer to the origin of the products that they source. This is to a great part driven by the retail level."

Fig. 6.9: Transcribed data analysed in terms of final template

6.7.1 Introducing the extended dottogram

Having created this template, the transcripts were reviewed and the relevant passages from the text according to the new template were fitted. The changes from the template could then be mapped into the model. Here is an example of what the model looked like in Norway Salmon’s case (fig 6.10):

In effect, each of the insertion marks is a dot, as illustrated in fig. 6.7, or a number as illustrated in fig. 6.5. These three figures are all representations of the same changes, but they represent different level of details. Fig. 6.10 may be termed an extended dottogram as
it represents a way to go behind the dots. In each of these four boxes A, B, C and E every change referred to by the respondent is presented in words.
Fig. 6.11 presents an illustration of the process of arriving at the initial and extended dottogram:

![Diagram](image)

Fig. 6.11: The process of arriving at the initial and extended dottogram

However, a crucial point at this stage is how the changes are related to each other. Looking at fig. 6.10, a number of themes seems to be reoccurring, but the changes are merely listed in the twelve boxes where they are located. To enable a further analysis, the changes were therefore grouped into relevant themes which seemed to concern respondent. For instance, in fig. 6.10 the respondent mentions that the fishmarket is slow to change at network level in box B. One of the reasons for this is that pricing is more effective in the fishmarket system (box D at dyad level). A second explanation is found at the network level in box D where he says that the fishmarket has functions which are not easily replaced. These three issues are thematically related (fig. 6.12):
Fig. 6.12: Grouping the changes according to one particular theme

Using the same technique on all the changes, the following issues were seen as thematically related (fig. 6.13):

Fig. 6.13: Grouping the changes according to all emerging themes
Fig. 6.13 illustrates how the themes are traced between the boxes. Each of these circles represents changes which are thematically similar. The lines between them indicate how they are related between the boxes. This process resembles theme analysis. Theme analysis may be both deductive and inductive (Boje, 2002). Deductive theme analysis means sorting the data into categories drawn from a theory or from the outsider’s viewpoint. Coding the responses as whether they refer to the actor, dyad or network level of the dotogram is a good example of deductive theme analysis as this classification is based on theory. Inductive theme analysis means referring the data based on its content as explained by the respondent. The process of tracing the themes between the boxes detailed in fig. 6.13 is a good illustration of inductive theme analysis as these themes appear from the text.

Using thematic analysis on all the changes described in the model, these main themes were identified in boxes B and D:

1. A general change from fishmarket to direct distribution, 2. The fishmarket is slow to change, 3. Change from whole fish to fillets, 4. Cooperation and integration in the old distribution model vs. the new. Concerning future changes (boxes C and E), these main themes were identified: 1. Further network integration, 2. Development of category management, 3. Further change from whole fish to fillets, 4. The fishmarket will still be important.

Based on this thematic analysis, the columns could then be rearranged to illustrate how the changes were related across boxes B, C, D and E (fig. 6.14):
This final extended dottogram has the same content as fig. 6.10, but in fig. 6.14 the changes are grouped according to what theme they represent. The dotted circle represents the example given in fig. 6.12.
Fig. 6.15 is another way of illustrating this process:

![Diagram](image)

**Fig. 6.15: Process arriving at extended dottogram**

Looking back at the initial presentation of model 4, this account has demonstrated that a way of turning the transcripts into meaningful data could be achieved using template analysis, proposing the following conceptual model of network change:
The extended dottogram enables a more detailed analysis of the responses. For instance, looking at the first row of box B presented in fig. 6.14 (“Change from fishmarket to direct distribution”), one way to interpret this final extended dottogram is that the respondent describes how the network changes from the fishmarket system to increasing direct distribution. The general trend is bypassing the fishmarket and thereby developing closer ties to importers, processors and retailers (change at network level). As a result, the exporter has created new positions within his company (change at actor level) which has improved cooperation with his partners. The increased ties and integration of the network has led to greater commitment between the actors (change at dyad level). The best way to explain these changes using box D, is the role of the retailers which are increasingly powerful and are adopting new purchasing strategies (sensemaking at actor level).

Having seen that model 4 may be a useful way of analysing network changes, the data from the follow-up study could then be subjected to an analysis as explained above. The next Chapter 7 describes this analysis in detail.
Chapter 7: Analysing follow-up study

<table>
<thead>
<tr>
<th>Ch. 1</th>
<th>Introduction</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>• Framing the thesis</td>
</tr>
</tbody>
</table>
| Ch. 2 | Literature review | • Describe how change is discussed in general marketing channel literature and industrial network literature  
|       |              | • Introducing **Model 1** and initial research question |
| Ch. 3 | Methodology and research design | • Explain rationale for chosen research design |
| Ch. 4 | Initial study | • Presenting first study of Norwegian-Japanese business relationships  
|       |              | • Findings indicate Model 1 is inadequate  
|       |              | • Introducing refined research question |
| Ch. 5 | The role of perceptions | • Literature review of the interface between perception and action  
|       |              | • **Model 2** and **Model 3** introduced and discussed |
| Ch. 6 | Arriving at a conceptual model for analysing network change | • Model 3 tested on data from follow-up study and found inadequate  
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| Ch. 7 | **Follow-up study** | • **Model 4** used to undertake an intra-case analysis of five cases. |
| Ch. 8 | Inter-case analysis | • Comparing findings across cases |
| Ch. 9 | Contributions and implications | • Contributions to theory, methodology and management practice |
| Ch.10 | A reflective account | • Evaluation in terms of a reflective account of the study, discussing its limitations |

7.0 Introduction

This chapter presents an analysis of the data from the follow-up study using Model 4 which was proposed in the preceding chapter 6. The analysis is structured as five cases: Two cases describe the traditional distribution network, and three cases describe the direct distribution network. Each case is divided into four sections:

1. **Description of the present network:** As an introduction to each case, a description of the physical distribution flow, or the “route of the salmon”, is presented. This description is based on observations, tracer studies and short interviews with actors in the network (see chapter 3 on methodology for a description of the rationale for using these research tools). The purpose of this description is to say something about what actors are involved, what they do and how they do it. This can be seen as a description of box B in model 4 presented in the previous chapter (see fig. 6.2); what the network looks like at present.
2. **Analysing changes using initial dottogram**: After a description of the physical distribution flow (or the present network), the network changes discussed during the in-depth interviews are then analysed using Model 4 (see fig. 6.2). This analysis starts with a brief analysis of the initial dottogram for the actors in the network (see fig 6.7 for an example of an initial dottogram).

3. **Analysing changes using extended dottogram**: Then, a detailed analysis of the extended dottogram is undertaken (see fig 6.14 for an example of an initial dottogram). This analysis looks first at changes discussed from *past* to *present* in box B (what is happening?) and how this can be explained using box D (why it is happening?) Then follows an analysis of changes from *present* to *future* described in box C (what will happen?), and how these future changes are explained in box E (why will they happen?).

4. **Intra-case analysis**: Towards the end of each of the five cases, a comparison (or intra-case analysis) of the extended dottograms is made. This is what Eisenhardt (1988) refers to as analysing within-case data.

Chapter 6 gave a detailed account of the process of turning the transcripts into meaningful data fit for analysis using the dottogram. As an illustration data from the interview with Norway Salmon were used to create initial and extended dottogram, and this account exemplified the process undertaken with all the data from the in-depth interviews. The present chapter features the initial and extended dottograms after the transcripts have been fitted into the model, but not the process of getting there. This is excluded for reasons of space as this is a lengthy chapter.
The five cases presented in this chapter are based on the sample from the follow-up study introduced in the beginning of chapter 6 (table 7.1 below). The table is extended with a column indicating in which case the actors are found. Even though five cases are defined here, this study is a single case study, and the five cases should really be seen as sub-cases. Using the term “case” here means that this is a case of how actors in networks perceive and adapt to network changes.

<table>
<thead>
<tr>
<th>Company</th>
<th>Type</th>
<th>Key respondent</th>
<th>Interpreter</th>
<th>Case no.</th>
</tr>
</thead>
<tbody>
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</tr>
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<td>Supreme Seafood</td>
<td>Exporter</td>
<td>Sales director, Managing director</td>
<td>No</td>
<td>2</td>
</tr>
<tr>
<td>Norway(merged with Global Salmon and Rocky Coast)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway Salmon</td>
<td>Exporter</td>
<td>Team manager, Asia</td>
<td>No</td>
<td>1</td>
</tr>
<tr>
<td>Japanese sample</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Karatsu Gyorui Co. Ltd.</td>
<td>Primary Wholesaler</td>
<td>General Manager, int. dept</td>
<td>No</td>
<td>2</td>
</tr>
<tr>
<td>Marukawa</td>
<td>Primary Wholesaler</td>
<td>General Manager</td>
<td>Yes (Tokyo Fisheries)</td>
<td>5</td>
</tr>
<tr>
<td>Tokyo Fisheries Fisheries Corp.</td>
<td>Importer/secondary wholesaler</td>
<td>Deputy general manager, overseas department</td>
<td>No</td>
<td>4</td>
</tr>
<tr>
<td>Supreme Seafood Japan</td>
<td>Importer</td>
<td>General Manager</td>
<td>No</td>
<td>2</td>
</tr>
<tr>
<td>Various buyers at Tsukiji I</td>
<td>2nd wholesaler</td>
<td>Manager</td>
<td>Yes (Tokyo Fisheries), Yes (Karatsu)</td>
<td>4</td>
</tr>
<tr>
<td>Bluewater Trading</td>
<td>Importer</td>
<td>Vice President</td>
<td>No</td>
<td>1</td>
</tr>
<tr>
<td>Yamanouchi</td>
<td>Distributor</td>
<td>General Manager</td>
<td>Yes (Tokyo Fisheries)</td>
<td>6</td>
</tr>
<tr>
<td>Sensei(Narita Airport)</td>
<td>Distributor</td>
<td>General Manager</td>
<td>Yes (Tokyo Fisheries)</td>
<td>1</td>
</tr>
<tr>
<td>Sensei(Kansai Airport)</td>
<td>Distributor</td>
<td>General Manager</td>
<td>Yes (Bluewater Trading)</td>
<td>1</td>
</tr>
<tr>
<td>Flying Bee</td>
<td>Distributor</td>
<td>General Manager</td>
<td>Yes (Tokyo Fisheries)</td>
<td>4</td>
</tr>
<tr>
<td>Shoitachi</td>
<td>Processor</td>
<td>President</td>
<td>Yes (Bluewater Trading)</td>
<td>1</td>
</tr>
<tr>
<td>Asahi Retail</td>
<td>Retailer</td>
<td>Head Buyer</td>
<td>Yes (Bluewater Trading)</td>
<td>1</td>
</tr>
<tr>
<td>BCB</td>
<td>Retailer</td>
<td>Head Buyer</td>
<td>Yes (Supreme Seafood)</td>
<td>3</td>
</tr>
<tr>
<td>Yoshimoto</td>
<td>Retailer</td>
<td>Head Buyer</td>
<td>Yes (Supreme Seafood)</td>
<td>4</td>
</tr>
<tr>
<td>Maruaki</td>
<td>Retailer</td>
<td>Head buyer</td>
<td>Yes (Tokyo Fisheries)</td>
<td>4</td>
</tr>
<tr>
<td>Tokyo Metro. Government</td>
<td>Gov administration, Tsukiji</td>
<td>Director General</td>
<td>Yes (professional interpreter)</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>+ various other actors such as the Norwegian Seafood Export Council (NSEC)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 7.1: List of sample, follow-up study
Another way to present the sample is shown in fig. 7.1. Here the actors are grouped in three ways: One way is horizontally, according to distribution levels or distribution functions in the network. The other way is vertically, as a distribution channel where goods, information and payments flow in a vertical direction. Finally, this overview says something about how the actors are linked, and what level of analysis they are subjected to. It is also possible to single out the actors located at the traditional fish market.

Fig. 7.1: Sample of the follow-up study presented as a network picture

This is in fact the researcher’s own network picture. It has been created to get a better overview of the sample and to help structure the analysis, and it enables an analysis of the dottograms within and across the different levels. Referring to the figure 5.7 introduced in chapter 5 (see. fig. 7.2. below), it is the researcher – network picture dimension (3) which is in focus here:
In chapter 5 it was argued that there are two levels of network pictures. One level is the narrow network picture which is the representations of the manager’s network picture. The other level is the broader network picture which is a collective amalgamation of network pictures. Fig. 7.1 is a representation of the latter.

As discussed in chapter 5, there is no right or wrong network picture. The network may be presented in different ways. For instance, in the two network pictures created from the interviews in the initial study (see chapter 4), the goods and payment flow in a horizontal direction (see fig. 7.3 and fig. 7.4):

Fig. 7.2: Relationship between managers and researchers network picture  
(originally fig. 5.7)

Fig. 7.3: Traditional seafood distribution network  
(originally fig. 4.4)
These two network pictures were created on the basis of a limited number of interviews with actors in the initial study. The follow-up study has traced the salmon through a number of distribution levels, and a large number of actors have been interviewed along the way. This has produced a richer and more detailed account of what the network looks like.

Looking at these three network pictures, it is apparent that the researcher’s network picture has developed during the course of this study, and this is one of the characteristics of an iterative research design. This dimension to the study will be further developed in chapter 10 on contributions, implications and limitations.
7.1 Case 1 – A direct distribution network

A brief description of the actors:

**Exporter: Norway Salmon**
Norway Salmon is Norway’s 2nd largest salmon exporter to Japan. (see chapter 4 for a more detailed presentation of this company). Norway Salmon sees Bluewater Trading as one of its three strategic partners in Japan.

**Importer: Bluewater Trading**
Bluewater Trading is one of Japan largest seafood importers. It has been Norway Salmon’s customer since 1994. Bluewater Trading used to buy salmon from several suppliers, mainly Global Salmon and Coast. But in the end they decided to buy only from Norway Salmon. Bluewater Trading will buy 3000 tons of Atlantic salmon in 2007, all from Norway Salmon. They also buy 2500 tons frozen salmon from Chile and 500 tons fresh
Canadian salmon. They regard themselves as the 2nd largest importer of salmon in Japan with a turnover of 100 million USD last year. Bluewater Trading also exports around 480 tons of Japanese yellowtail to United States and increasingly Europe. Bluewater Trading has used its relationship with Norway Salmon to get access to the European market for Yellowtail (a popular fish in Japan). Norway Salmon and Bluewater Trading discussing a joint venture to take their cooperation even further.

**Processor: Shoitachi**

Shoitachi is a well-established processing company in Osaka. It also owns a small restaurant chain. Recently they built a new plant with modern production equipment and have made considerable adaptations to cater for the changing needs of the supermarkets.

**Retailer: Asahi Retail**

Asahi Retail is a large supermarket chain with 135 outlets mainly in the Kyoto/Osaka area. In Japanese terms they are a medium sized retailer. Last year’s turnover was 15 bill. NOK.

### 7.1.1 Description of present network

**At the airport:**

The salmon arrives at the Kansai Airport at Kyoto/Osaka Wednesday afternoon (picture 7.1). On the day of the interview Bluewater Trading received 618 cases from Norway Salmon. On board the plane the fish is held at a temperature of +5 degrees. It is loaded from the plane onto trucks provided by the airport. After customs clearance it is driven to the distribution centre which also acts as a warehouse and re-icing facility.

![Picture 7.1: Cargo just arrived at Kansai (all photos in this chapter by author)]
The name of the distribution company is Sensei Service. This company operates within the airport and it is the only distribution company here. The company also has branches at the other airports, such as Narita (Tokyo Airport). The owner of this company does not have a clear view of where the salmon ends up. He says that they handle around 1000 boxes of salmon a day. This is divided as follows:

- Royal Trading: 20%
- Norway Salmon: 40%
- Supreme Seafood: 10%
- Måløy: 30%
- Various: 15%

The low share of Supreme Seafood’s fish is because Supreme Seafood uses another distribution centre outside Kansai, the respondent at Bluewater Trading explains.

At the distribution centre the fish is re-iced and the boxes are restrapped (pictures 7.2 and 7.3). The distribution centre holds between 0 and 2 degrees. The salmon is then loaded into vans to be taken to the processor, Shoitachi. Bluewater Trading uses three processors in the Osaka area, Shoitachi is far the largest one.

Picture 7.2: Salmon ready for re-icing
The distribution centre is also used as a warehouse. Salmon which is not immediately sold (i.e. it has been preordered) is stored at the airport for a maximum of 10 days. The respondent at Bluewater Trading says that fish arriving at the Wednesday consignment is usually sold by the following weekend. The airport provides a large storage room which may be used by all the importers. This storage holds -5 to 0 degrees. This produces an average temperature of 0 degrees because the doors are frequently opened. A detailed system provides information about which fish has entered the storage facility at what time (picture 7.4). Depending on the orders, the fish is shipped to processors or the local fish market from this warehouse by trucks. The truck holds an average temperature between 0 and 5 degrees.

If the salmon is not sold after some time, the fishmarket may be an option the get rid of the remaining fish. The freshness of the fish deteriorates rapidly and in this way the fishmarket
serves a function. This is also a price issue. Bluewater Trading says that the “oldest” fish is the cheapest. Some customers are not willing to pay the premium price for the fish, and they take the fish that remains. A rule of thumb is that the fish must be consumed before 20 days after it has been packed in Norway. The fish arrives at Kansai Airport 2-3 days after being packed at the fish farm. This means that it takes 17 – 18 days before it gets spoiled (picture 7.5).

![Packaging label on box.](image)

Note: Size means 4-5 kilos. Note the “use by date”. This means that the fish was packed on the 01.11.07. It arrived at the 07.11.07 at Kansai.

**At the processor:**

The fish is taken to the processor by a transporter (picture 7.6). Arriving at the processor (picture 7.7), the fish is filleted through a filleting machine. Here the head and the bones are removed and the fillets are ready to be processed into smaller portions depending on the customer’s requirements. Regular sizes are 4, 6 or 800 g. portions, but this can be adapted. Most supermarkets like to cut the portions into ready made consumption packages themselves, but at busy times the processors does this for them.
Picture 7.6: Boxes ready to be transported to processor

Picture 7.7: Fish arriving at processor (blue boxes towards the back).
At the retailer:
The fillets are distributed to the supermarkets by a trucking company. At the supermarket (pictures 7.8 and 7.9) the fish is cut into portions, normally around 200 – 300 kg. The supermarket has a wide variety of seafood (picture 7.10). Fresh Norwegian Atlantic salmon is used for sashimi or sushi (picture 7.11). What the Japanese refer to as Chilean salmon is actually rainbow trout (picture 7.12), which in Japan is called salmon trout or sometimes only salmon. Chilean salmon used for sashimi in Japan is therefore not Atlantic salmon. Chilean Coho salmon is only used for kirimi cuts (pictures 7.13 and 7.14). This salmon is not suitable for sushi; it is grilled, fried or baked. Native Japanese salmon from Hokkaido is normally Chum salmon or Sockeye salmon. At the time of the study 100g Atlantic salmon was sold at 198 yen/100g. that day. By comparison, Chilean salmon was sold at less than half the price.
Picture 7.9: Supermarket processing department

Picture 7.10: Supermarket seafood counter

Picture 7.11: Norwegian Atlantic salmon for sashimi cuts. Note the price
The supermarket also makes lunchboxes (pictures 7.15 and 7.16) which is a plate consisting of various fishes, vegetables, spices and sauces. These are increasingly popular among the customers. A lunchbox does not have a “price per 100g” tag as it is based on different ingredients. Atlantic salmon has production date on the tag and a “use by” date,
whereas the Chilean salmon only has a “use by” date because it has been frozen. In effect it can be months old.

Do the customers have a preference for fresh salmon? Interviews with customers in the shop suggest that they can’t tell the difference between Norwegian fresh salmon and Chilean salmon which has been defrosted. They don’t seem particularly concerned with country of origin either; they are merely interested in price. But salmon as a product is considered to be healthy and tasty. One mother suggested that it was her daughter who preferred salmon. Customers would normally buy a pack of salmon once a week, but they go shopping almost every day. The Japanese prefer fresh food, they live in small apartments with small fridges, and during the day it is normally the housewives who do the shopping. “We use the supermarket as our fridge” as one respondent says. In all the 9 supermarkets visited, it was mainly the women who did the shopping.
Characteristics of the network: Adaptations made by the actors

The actors are strongly committed to the network. Bluewater Trading approached Asahi Retail because this is the type of customer they want to deal with. Asahi Retail has recently bought its salmon through the fishmarket, but decided to turn to Bluewater Trading because they are concerned with quality issues which the fishmarket cannot provide. They refer to the trend towards increasing direct distribution as the main reason for this. They wanted to secure relationship with a strong importer who had good ties with the producer in Norway. Bluewater Trading also sites this as the main reason for approaching Asahi Retail in the first place. In their negotiations they drew on the expertise of Norway Salmon and their processor. Norway Salmon was also present in meetings with Asahi Retail.

Shoitachi explain that five years ago they started handling Norwegian salmon, and bought from several suppliers. Price was the main issue. Shoitachi got to know Bluewater Trading and Norway Salmon, and saw that there was a great difference between how these two worked compared to others. They started approaching a big restaurant chain together and had little complaints about products from this customer. Gradually volume increased and other customers followed.

Strong ties have developed between Norway Salmon, Bluewater Trading and Asahi Retail. Shoitachi, the processor, has also been involved in this process and to an extent the Norwegian Seafood Export Council. The NSEC has helped arranging sales campaigns and promotion activities. These campaigns serve as good illustrations of how activities, resources and actors interplay in this network. Here is an example:

Bluewater Trading and Asahi Retail decided to run a campaign in 35 of their outlets on the 12th. November (pictures 7.18, 7.18 and 7.19). They named this the “National Salmon Day in Japan” (!) The NSEC supplied promotion material and promotion staff hired from a temporary agency. Promotion material included flags, salmon package stickers, recipe leaflets, banners and poster. Asahi Retail provided shelf space and coordinated the campaign in their shops. Bluewater Trading designed a sticker for Asahi Retail that would appear on the salmon package. Shoitachi increased their processing capacity to cater for increased sales from the campaign, and Bluewater Trading supervised the whole arrangement with the involved parties. Bluewater Trading also provided salmon which was
given away as free samples to the customers. The cost of the campaign was split evenly between Norway Salmon and NSEC.

Picture 7.17: Sales promotion on “National salmon day”

Picture 7.18: Sales promotion on “National salmon day”. Note 198 selling price.

Picture 7.19: Advertisement in local paper on display on front door. Note 198 price.

Strong ties mean more profit. The price to the customer is largely the same whether the fish has been distributed through the fishmarket or directly (see table 7.2), but with direct
distribution all the actors can enjoy a larger share of the profits. The following calculation is presented by the importer:

<table>
<thead>
<tr>
<th>The fish market system</th>
<th>Direct distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Importer buys at</td>
<td>720 yen/kg</td>
</tr>
<tr>
<td>Prim. wholesaler buys at</td>
<td>760 yen/kg</td>
</tr>
<tr>
<td>2nd wholesaler buys at</td>
<td>840 yen/kg</td>
</tr>
<tr>
<td>Retailer buys at</td>
<td>110 – 120 yen/kg</td>
</tr>
<tr>
<td>Retail selling price</td>
<td>1980 yen/kg</td>
</tr>
</tbody>
</table>

Table 7.2: Price margins in direct vs. traditional distribution

Shoitachi has made major changes in its production facilities to cater for the increase in direct distribution. In fact, they have recently built a completely new plant which enables easier adaptation to the requirements of the supermarkets. They have also invested in mobile monitoring technology which enables visitors to see the production process without having to be there physically (pictures 7.20). The manager can show existing or potential customers what is happening to their fish via his mobile phone. Using this technology, he can intervene in the production process to cater for customer demands. The manager says that this technology has been developed because the supermarkets have been more cautious about how the fish is produced. It is also important to importers and producers to be able to track what is happening to their fish.

Picture 7.20: Monitor tracking processing at the new plant

Having described the present network, changes apparent from the in-depth interviews will now be analysed using the initial dotograms.
7.1.2 Analysing changes using the initial dottogram

7.1.2.1 Norway Salmon

![Norway Salmon's initial dottogram]

Initially, a lot of the changes seem to be concerned with the future (boxes C and E). The respondent is primarily discussing changes at dyad level and network level, and to a lesser extent the actor level (only one change discussed here). The respondent explains future changes in the network by emphasising the actor level (E).

7.1.2.2 Bluewater Trading

![Bluewater Trading's initial dottogram]

Fig. 7.6: Norway Salmon’s initial dottogram

Initially, a lot of the changes seem to be concerned with the future (boxes C and E). The respondent is primarily discussing changes at dyad level and network level, and to a lesser extent the actor level (only one change discussed here). The respondent explains future changes in the network by emphasising the actor level (E).

Fig. 7.7: Bluewater Trading’s initial dottogram
In Bluewater Trading’s case, this respondent has a limited view of the future compared to Norway Salmon. The most striking feature of Bluewater Trading’s template is that the majority of changes he describes are concerned with boxes B and D, i.e. changes that have taken place currently (B), and why they have happened (D). If we first look at box B, the majority of changes here are occurring at the dyad level, most notably in the relationship between himself and his exporter. He makes sense of these changes by referring to the actor level and the network level in box D, i.e. changes appear due to something happening (sensemaking) at the actor level and network level.

The majority of the changes he describes are happening in the relationship between himself and the retailer. He seems to be very concerned about how this relationship is developing. The explanations for these changes are found mainly at the actor level, i.e. he suggests that these changes are occurring as a result of actions by other actors.

7.1.2.3 Shoitachi

![Dottogram](image)

Fig. 7.8: Shoitachi’s initial dottogram

Shoitachi’s dottogram is characterised by a limited number of dots compared to Bluewater Trading’s and Norway Salmon’s. This is very much a story of a retail driven development. The relationship between himself, the retailer and the processor are the focal points. In his case, the majority of changes are at the dyad level in box B. To explain these changes he uses the actor dimension in box D. He does not use the network level to explain the changes occurring. He has little ideas about future developments.
7.1.2.4 Asahi Retail

Asahi Retail’s template is similar to Bluewater Trading and Shoitachi in its focus on changes mainly at the relationship level (box B) and the use of sensemaking at actor level to explain these changes (box D). Where Asahi Retail differs, is in terms of the descriptions of the future directions of changes in box C. Asahi Retail sees more changes appearing in the future than Bluewater Trading (box C), but he does not offer much exploration as to why these changes are appearing, as his box E only has two changes (dots). He argues very much out of his own perspective, i.e. he uses sensemaking at the actor level to explain the changes, not on the network level. His considerations are related to his closest relationships, i.e. the dyads.

Having looked at changes using the initial dottogram, it is now possible to go “behind the dots” to analyse the changes in more detail using the extended dottograms for each respondent (see chapter 6 for a detailed description of this process). The extended dottogram enables a more detailed analysis of the responses. As an example, fig 7.10 illustrates the relationship between Norway Salmon’s initial and extended dottogram.
Fig. 7.10: Initial and extended dottogram of Norway Salmon
7.1.3 Analysing changes using the extended dottogram

7.1.3.1 Norway Salmon

Fig. 7.11: Norway Salmon’s extended dottogram

Boxes B and D: From “Then” to “Now”

Looking first at boxes B (what is happening) and D (why it is happening), three themes emerge: (The fourth theme, Cooperation, integration, new model, old model, must be seen in relation to some of the changes discussed in boxes C and E, and is subsequently discussed in the next section).
These themes will now be looked at in more details, and the description of changes will be backed up by relevant quotes from the respondents. The quotes in the text have corresponding numbers in the extended dottogram.

1) General change from fishmarket to direct distribution

In box B, the respondent describes how the network changes from the fishmarket system to progressively more direct distribution: “Compared to the other main seafood markets things are slow in Japan. But the underlying change which we see accelerating is more direct contact between suppliers and end user, i.e. primary actors in the production and end users in the consumption end” (quote 1: This number corresponds with the number 1 in the initial dottogram in fig 7.11. This change has the heading “General trend towards direct distribution, bypassing the fishmarket” in Box B). The respondent explains this in more detail: “What is happening now is that you have a Norwegian exporter which sells to a Japanese importer or to an importer owned by them such as Supreme Seafood. This importer has direct contact with retail chains or restaurant chains. This model has grown in magnitude the last 5 years. It has been more common to do this type of distribution now than 5 years ago” (quote 5, see fig. 7.11). Another example of change at dyad level is closer ties to importers, processors and retailers: “The main difference in resource ties is that we develop concepts together in the direct system. These concepts can be regarding packaging, logistics, special product quality, feed mix at the fish farm, category management together with the supermarkets, and menu development with the restaurants. A broad range, actually” (5a). As a result, Norway Salmon have created new positions within their company (change at actor level): “We share knowledge with our customers. We have recently hired a product development manager and a brand manager. These are resources that we draw upon together with the importers and retailers in Japan. We have not created them specifically for Japan, but for our company” (13). This has improved cooperation with his partners (change at dyad level): “Our now company is now in a much better position to negotiate with the retailers than previously, and these skills are important to us. But we have a broad scope when we create these positions, and we use them to get in closer cooperation with our customers” (14). The increased ties and integration of the network has led to greater commitment between the actors: “We have three companies in Japan that we define as strategic partners. With these three partners we draw on various types of resources. So here we position ourselves much closer than we do in the traditional system” (16).
The best way to explain these changes using box D, is the role of the retailers who are increasingly powerful (sensemaking at actor level): “The purchase function in the direct system is more professional than in the traditional system. And the retail power is greater in the direct system” (11). Further, retailers are adopting new purchasing strategies (sensemaking at actor level): “The reason behind this is that in Japan the retailers wish to adopt purchase strategies and management practices that has been introduced by international retail chains such as Carrefour and Wal-Mart. They are inspired by this and they see that if they are to survive they have to get closer to the origin of the products that they source. This is to a great part driven by the retail level” (2).

2) The fishmarket is slow to change
Second, in box B he discusses change at network level as the fishmarket system is changing, although at a slow pace: “Despite all predictions of a less fragmented retail level in Japan, this development is going extremely slow. As long as we have the fragmented retail level, the fishmarket fulfils an important role” (3). Looking to box D to find the reason behind this, at the network level he says that the fishmarket has some distinct functions that are not easily replaced: “I think it is easy to overlook that when we talk about Japan, the fish market is really important and it will be there in the future. It is wrong to suggest that the fishmarket will loose its importance. It is an effective way to distribute large volumes of fresh fish. In a fragmented market like the Japanese, it is very effective” (4). Further, on the dyad level the fishmarket is an effective way to determine prices between the actors: “You may regard it as a gigantic cash and carry wholesale outlet. Where small retailers, supermarkets and shops and restaurants meet and get what they need at the time that they need it. With guaranteed freshness. So obviously, this role is important as long as the retail level is as fragmented as it is” (12).

3) Change from whole fish to fillets
Third, there is a change from whole fish to fillets on the dyad level (box B). “But the growth is larger regarding fresh fillets than whole fish with head. Whole fish products are mainly found in the traditional system. Fresh fillets very rarely find their way to the traditional system because the market is not suitable for this kind of distribution. One of the problems is perishability, i.e. challenges regarding freshness, which means that you need to have a shorter distribution channel. You have less flexibility. The filleted fish is only suitable for some purposes, whereas whole fish has much more options, greater
variation. And this flexibility you find in the fish market. You don’t need this kind of flexibility in direct distribution” (8).

Driving this change in box D is a belief among the actors that fillets are cheaper to produce (sensemaking at actor level). “The rise in the production of fillets is all a question about money. We pay in average 12 NOK per kilo in airfreight to Japan. If you have a gutted salmon of 4,5 kilo times 12, this represents 54 NOK in airfreight. Out of 4,5 kilo whole salmon you get 3 kg. fillets. Times 12 this is 36 NOK in airfreight. These two volumes (4,5 and 3) represents the same amount of end product. If you are making sashimi out of this (4,5) you get the same amount of sashimi as this (3kg). But you have saved 12 NOK in freight. Literally, you don’t ship the bones and the head, and this saves money” (9). Hence, this transition is beneficial to the whole network as other the actors also will save costs (sensemaking at network level): “You never see a Japanese sushi-chef, or a retailer, filleting the fish himself. If you go to the most expensive restaurants the sushi chefs do it, but if you go to the kaiten [belt] sushi restaurant, which represents the majority of restaurants and is the largest segment for salmon, they buy ready sliced products. And this is sliced in Japan or South-East Asia for frozen products. And for companies doing this slicing operation, normally processors with own or outsourced production, it is more profitable for them to buy the fillets as compared to whole fish” (10).

Boxes C and E: From “Now” to “Future”
Turning to boxes C in fig. 1, (what will happen) and E (why will it happen), these four issues emerge: 1) Further integration, 2) Development of category management, 3) From whole fish to fillets, 4) Importance of the fish market.

1) Further integration
Regarding future change at network level (box C), he believes that the network will become more integrated (sensemaking at network level): “We agree on a strategy now, and I am going over to Japan in two weeks, and we are visiting four primary wholesalers and describe precisely this picture [integration] to them and propose a joint strategy to get closer to the retail level. We want to approach the retailer in cooperation with the primary wholesaler. And then it is up to them to find the best route from here to the restaurants together with us” (44). Further, he explains that he will work directly with the processors: “I also envisage that we are involved at the processor level in Japan through a joint venture
company. And that we have a much greater part of our turnover in direct relation with the
main retail chains both in the supermarket and the restaurant segments” (25). Possibly, he
will create even closer ties in terms of ownership with some of his Japanese partners: “In 5
years time we have merged with one of the importers” (23).

At the dyad level this imply higher volumes (sensemaking at dyad level): “We will have a
much greater part of our turnover in direct relation with the main retail chains both in the
supermarket and the restaurant segments” (26); and stronger ties in terms of financial
ownership: “We will have a strategic cooperation and which is based on shared ownership
in Japan” (24).

For this to happen (box E), he needs to find partners which shares the same view of reality
as he does. This is an important point, and refers to this a number of times (sensemaking
at actor level): “To achieve this I have to find partners which share this view of reality.
And I find them at the importer level and at the retailer level. This has definitely been the
main selection criteria!” (35, 36)

Another way to create change is to confront the view of reality held by his current partners
(sensemaking at actor level): “We have spent a lot of time recently discussing and
establishing a common view of reality with our partners. A lot of time” (38). For instance,
he needs to change the view of his partners at the fish market: “These guys [the fish
market] will not accept our view outright. They are resistant and say that “this is
impossible”, “this will not go”, and so on. But I don’t accept this. I have to try and try over
again” (43). He must also try to influence the importers “…the primary thing is to
convince the importer, and to have them sharing your view in order to get closer to the
primary wholesaler. And we have to a large degree achieved this” (44) . Note also that he
believes that sharing network pictures is important in driving change: “To create changes,
the pictures of the retailers in traditional system must be the same as the rest of this
distribution chain” (46).

Another example of sensemaking at actor level driving the changes in box C, is that the
respondent has a strong determination to produce top quality salmon: “I believe that there
is an extreme potential to increase salmon sales in the traditional segment. To achieve this
we need to supply salmon of high quality to this segment” (41). He also has an ambition to
become no. 1 in Japan: “Today we the second largest in Japan. But we have a definite aim of taking the number one position...We have a strategic cooperation which is financial and which is based on shared ownership in Japan” (22).

2) Development of category management
As a second future change, he describes that Japanese actors will become more professional at developing category management, but this is a slow process (change at actor level): “Actually we see the same trend in the West. The difference is that in the West we have started to do something about it. A major reason for our dominant position in the Nordic countries is that the major retail chains have seen that farmed salmon is the key to develop the seafood category. And this realisation is slowly coming to the Japan” (30).

Explaining the forces behind this trend (box E), he refers to a number of sensemaking devices. Firstly, he has a strong belief in category management (sensemaking at actor level): “And here we can play a key part... We want to contribute to this development [category management] in Japan” (29, 33); Secondly, he needs to develop this in cooperation with the retailers (sensemaking at dyad level): “To achieve this you have to be present at the major retail chains, and you must have facilities and market impact that enables you to do category development with the retailers” (32); Thirdly, there is a general health focus in the Japanese population (sensemaking at network level): “In Japan, there is a strong focus on health issues at present … For instance, the Japanese Department of Fisheries recently published a white paper on concerns over reduced seafood consumption. Japan is actually one of the few countries in the world which experiences a reduction in seafood consumption! I think one of the main reasons for this is lack of innovation, rigid structures, and lack of new ways of developing categories at the retail level” (34).

3) From whole fish to fillets
Third, in box C he talks about the shift from whole fish to fillets (change at dyad level): “The growth in Japan is greater regarding fresh fillets than whole fish with head”. He refers to direct distribution being more suitable for fillets as one explanation for this change (sensemaking at network level): “Fresh fillets very rarely find their way to the traditional system because the market is not suitable for this kind of distribution” (6).
4) Importance of the fish market

The respondent believes that the fishmarket will become more important to him in the future (change at network level); “I believe that we will be heavily involved in the traditional market” (27).

To explain this change (box E), he refers to company strategy (sensemaking at actor level): Further, “We have no plans to downscale our turnover at the fishmarket, but we will increase our turnover in the direct market. This is where the growth will be. We aim to double our turnover in the direct system. But I think that we will grow even in the traditional system” (28); Further he must work with the fishmarket to get access to restaurants that are only reachable through the fishmarket (sensemaking at network level). “To reach the [traditional sushi restaurant market] the direct system doesn’t work. You have to be in the fish market”, he explains (42).

There is a connection between boxes B and E which should be noted here. In box E he discusses a possible future network, but he rejects this because he believes that the current cooperation model works better (sensemaking at network level): “Today we are in the same advantageous position through our three strategic partners as if we had set up our own import company. And this must be seen in relation to how we work with these three actors” (17). This belief has led to more commitment with his current partners (change at dyad level in box B). Referring to the three strategic partners, he says that ; “These three actors are interested in that we involve ourselves as much as possible at the retail level” (17a). Consequently, his sensemaking of the future (Box E) has an impact on his current business relationships (box B).

Having analysed Norway Salmon’s extended dottogram, here follows an analysis of Bluewater Trading’s extended dottogram.
7.1.3.2 Bluewater Trading

Using the same analysis regarding boxes B (what is happening) and D (why it is happening), mainly two issues emerge:

1) **General change towards direct distribution and integration**

First, in box B discussing change at network level, the Bluewater Trading respondent explains that there is increasing direct distribution. Today it is 50/50 between the fishmarket and direct distribution, but this is changing: “5 years ago we had a close relationship with the wholesaler, but not with the wider distribution network.... [Today]
we sell about 50% to the old distribution channel, which is the fishmarket, and 50% which is direct distribution. But this portion is increasing. I don’t know for the others, but for Bluewater Trading this framework has been increasing significantly” (4).

Another example of change at network level here is that Bluewater Trading, Norway Salmon and the retailers are all becoming more integrated: “We have close contacts with the retailers and the processor, they are our partners…We want to develop close relationships with the exporter and to the retailers” (7).

Further, ties to Norway Salmon have strengthened and ties to other suppliers are weakened; “We had other suppliers like Global Salmon and Coast. Price was important and we made regular comparisons. But then the person in charge of Japan [at Norway Salmon] changed, and he was very good. We liked him. So we told them that as long as you adjust to our price level, we will buy from you. They tried to adjust to us and the volume started to increase a lot… Now we have moved the partnership to a higher level. We have signed an agreement, and now we will buy 100% from Norway Salmon” (10).

These changes at network level have lead to a number of changes at dyad level:

Regarding actor bonds, he has developed closer relationships and strengthened ties to his business partners. There is more commitment in the relationships, meetings are regular and discussions are open and friendly. “We have more direct access to the retailers now and we often meet them. They want to talk to us and we want to talk to them. The biggest change for our organisation is that we get direct opinion from the retailers, and we give them feedback directly. We know what they want, and they also get benefit of quick reply from the Norwegian side. They are very happy. Previously, we didn’t know anything about the end user. The fish market and all its layers prevented access to this kind of information… Now, we discuss how to increase our contact with the retailers on expense of the fish market” (8).

In terms of activity links, the actors have developed retail promotion campaigns together; “Norway Salmon supports us in many ways; such as promotion and pricing. We have promotion activities together with Norway Salmon and NSEC. Norway Salmon and NSEC provide some of the funds for these activities and we share the costs. NSEC has produced
stickers to put on the salmon packages” (18). The introduction of NSEC as an actor in the network is one example of the continued integration process (25). Another example is that Shoitachi contribute with increased production volumes during the campaign (18).

A Further example of activity links is how the relationship between Bluewater Trading and Shoitachi has enabled tailored processing adapted to the needs of the retailers: “I think in case of Shoitachi we are really working close. We sell to the supermarkets, but every supermarket needs some processing. They cannot buy salmon by the box. They may process some salmon by themselves, but at busy times they use our processor. So when we have a sales campaign we always use the processor. Which we pay” (39).

Turning to resource ties, salmon volumes have increased: “5 years ago our import volumes were not so big, and the Japanese salmon market was also very small. I think maybe at that time 5,000 metric tonnes per year of fresh salmon. But Norway Salmon wanted to increase the number of customers and their market share in Japan. We had a very positive feeling about their people. They were nice and positive and the service was good. So we started to have regular business” (11).

New pricing policies have also been introduced: “Together with Shoitachi we established a more stable price structure towards the retailers. Previously, price was decided once a week. But we proposed a monthly price or three-month price or a yearly contract price. At that time salmon prices was so fluctuating, sometimes price came right up to 16 NOK per kilo, and a lot of retailers were unhappy about this. They wanted to have stable prices. Our offer was very good for the retailers, and increased our volumes to the retailers” (15). Retailers now have better access to information: “Access to information has become a great asset, it is very important. It gives the retailers a sense that they are doing ‘world trading business’ in a way. So they are very keen to be in this chain [points to the direct distribution network picture]. And they want to be included into the decision-making process. They also have a confidence that we are selling fish which is chosen by them” (37).

Another example of changes in resource ties is the introduction of chartered flights and its positive effect on sales volumes. This means fresher salmon to the market: “At the same time the charter operations were increasing steadily and we had the second largest
consignment on the plane. The largest share was held by another customer. They got into financial difficulties and Norway Salmon offered us to take their place. We realised that our sales volumes were big enough to sustain these increased shipments, so I said “well, let’s go, we can do it”. So we had the largest consignment on the plane. As our sales increased Norway Salmon needed bigger planes in order to increase the total consignment from 32 metric tonnes to 40 metric tons which is the maximum” (9).

Explaining the trend towards direct distribution and closer integration using box D, he refers to the network level (box D). For instance, he argues that this is the general trend in Japan: “I think other importers in Japan also establish this system. Supreme Seafood for instance has got quite a big direct business with big supermarkets like Aeon, or big kaiten sushi chains. I think Supreme Seafood and us are doing quite a bit of direct business with retailers now” (5).

Another reason for the change at network level was when Bluewater Trading’s previous supplier was taken over by Norway Salmon: “Our relationship with Norway Salmon dates back to 1994. I think they wanted to find a partner in Japan, and we have been introduced through Nippon Express. We had some business with Terra Seafood which went bankrupt and was purchased by Norway Salmon. That’s how it started” (19).

His relationship with Shoitachi has accelerated change at network level. This is one of the few times he uses sensemaking at dyad level to explain changes, but he makes an important point here: “The processors traditionally had very good connections with the retailers, because the processor and the retailers are very close, as you know. Shoitachi wanted to approach the retailers together with us. We learned to negotiate with the supermarket and started making sales by ourselves. And then we also started to include the supermarket in our discussions” (35).

Finally, he uses several sensemaking devices at the actor level to explain the changes. He mentions that Norway Salmon put a new person in charge of the Japanese market as a reason for the change: “Last year Norway Salmon put a new person in charge of Japan. He wanted to increase the market share in Japan because he was in Japan. He believes that there must be big possibilities in the Japanese market” (17).
He further attributes these changes to his own willingness to take risks. The statement: “So I said “well, let’s go, we can do that” quoted earlier in this section is a good example here. He also explains that the company simply needed to make profits to survive: “The change towards more direct distribution happened because we cannot make money, simply. That’s all” (20). Clearly, his need to increase profits was the main force driving the change in the network.

Retailer’s demand for traceability is another important reason for the increased integration. “We want to develop close relationship to the exporter and to the retailers because we what to increase the traceability of the fish that we sell. The retailers are very concerned about this. The price difference between buying from the fish market and buying from us is not that big. We may actually be higher. But the supermarkets demand traceability, safety and trust. So we have to show our face, let them know that we make an effort, assure them that we are doing the right thing” (28a). Here he actually describes a change at actor level (box B), as the need for traceability has led him to change his way of doing business with the retailers.

2) The impact of Chilean salmon

The respondent is concerned with the arrival of Chilean salmon in Japan and its impact on his relationship with the Norwegian exporter. At one point in time, imports of Norwegian salmon fell and fresh salmon from Norway was replaced by frozen Chilean salmon (change at dyad level): “The wholesalers increasingly bought Chilean salmon. The wholesalers have a fresh fish division and a frozen division. I think that the volume of the fresh fish decreased and the frozen increased. Our competition became very tough” (22).

Discussing why this happened, he refers to the general trend of increased Chilean salmon exports to Japan, which is sensemaking at network level (box D): “At the same time the world market for fresh salmon was increasing, and the price situation was very tough for the Japanese market. I think many of the Japanese companies dealing in salmon are still having a very bad time” (21). He additionally refers to sensemaking at the actor level when he states that he needed to survive and make profits: “We needed to think very hard about how to survive as a company. That’s why from 2004 we decided to start the Chilean salmon business. In 2005 and 2006 this contributed a lot to our company’s result” (23a).
Hence, he continued to import Chilean salmon. Interestingly, he uses sensemaking at actor level to explain why this picture changed; he says that he realised the “beauty” of Norwegian fresh salmon, and that is one of the reasons why their sales of fresh salmon picked up again. “We made a big profit out of the Chilean salmon due to the increasing market, but at the same time we also started realising the beauty of the fresh salmon, and we wanted to sell more fresh salmon” (37).

Boxes C and E: From “Now” to “Future”
Turning to boxes C (what will happen) and E (why will it happen), he says very little about this compared to boxes B and D. He mainly discusses one theme: Access to suppliers’ network overseas.

*Access to exporters’ network overseas*
In box C, he sees his exports of yellowtail increasing in the future (change at dyad level) as new markets open up (change at network level): “We mainly export yellowtail to the United States market. This year we export about 480 tonnes of fillet, fresh fillet to the United States, and we have also started to negotiate with some European buyers, and they are willing to import fresh yellowtail fillets. So until then we have to wait, but I think in the middle of next year we will be able to start some export” (1).

For this to happen, his partner must get approval from the Japanese government (sensemaking at actor level in box E): “But we need to wait until our partner gets approval from Japanese (government)” (3). Interestingly, these ties have been made possible by his opportunity to access Norway Salmon’s worldwide distribution network. In fact, he uses his relationship with Norway Salmon to create new relationships; "For instance, Norway Salmon are trying to sell our farmed fish, yellowtail. They are trying to help us by giving us access to their distribution channels in Europe” (26). This is a change at network level (see discussion of box B on pages above)

Another future change discussed here is the prediction that the fish market will continue to be important (change at network level): “The fish market will never disappear. But I guess in 5 years time we will sell 70/30 directly to retailers.” For this to happen he must make changes to his marketing strategy (sensemaking at actor level): “To accommodate these changes we have to be very professional. We have to able to explain about the product, and about promotion, and about pricing, and about industry, so that the retailer can rely on
us, they can trust us. Many importers are not professional enough; they only can talk about the price. But supermarkets don’t need this information. Our price is 20 Yen higher, but we can justify it towards the retailer” (42). Here he also touches upon an issues characterising direct distribution in this study: The close relationship with the retailer improves sharing of information and more commitment. He also justifies his role as a middleman between the importer and the retailer.

Having analysed Bluewater Trading’s extended dottogram, here follows an analysis of Shoitachi’s extended dottogram.

7.1.3.3 Shoitachi

![Figure 7.13: Shoitachi’s extended dottogram](image)

Fig. 7.13: Shoitachi’s extended dottogram
Boxes B and D: From “Then” to “Now”

Looking at what is happening (box B) and how these changes are explained (box D), these five issues emerge:

1) Approached by a large restaurant chain
Firstly, the relationship with Bluewater Trading and Norway Salmon started when Shoitachi was approached by a large restaurant chain. This is a change at network level (box B): “After getting to know Norway Salmon and Bluewater Trading, we saw that there was a great difference between how they operated compared to others, like how they proposed the sales, for instance. We started working together towards a big restaurant chain” (11).

Explaining why this happened (box D) he uses sensemaking at dyad level referring to the increasingly good atmosphere in his relationships to the restaurant chain: “They liked working with us and the volume to this customer is now increasing quite a lot, almost doubled every year” (12). He also mentions the good relationship with Norway Salmon and Bluewater Trading in terms of fewer complaints and improved quality as an explanation for the change: “Before the big deal with the restaurant chain, Bluewater Trading had a very small volume with us. But we liked their quality and we didn’t have many complaints about their products from our customers. That’s why we started to increase the volume. And they always send fresh fish to us. They don’t send old fish” (14).

2) Reduced number of suppliers
Secondly, on the network level, he has reduced his suppliers from five to only one which is Bluewater Trading: “It is only five years since we started handling Norwegian salmon. Five years ago we had many suppliers, now we only have Bluewater Trading” (8).

On the dyad level, this has resulted in a closer relationship and strengthened ties to his customers, increased volumes and a more stable supply: “The restaurants liked working with us and the volume to this customer is now increasing quite a lot, almost doubled every year since. Further, we can secure stable supply. 5 years back, around Christmas time and summer holiday time, the fish market people would say that we had to buy a lot because supply may be short. We had to place orders otherwise the products may be gone. We were forced to take risks and accumulate our own stock” (9).
Explaining this change (box D), he refers to an increased need for stability and less exposure to risks: “But now, working with the importer directly, we don't have to worry about this anymore” (18). This is an example of sensemaking at the actor level.

3) More demanding retailers

Thirdly, he discusses a change at dyad level in his relationship to the retailers (box B). He now has better access to information from the producer and the importer: “First of all, in terms of sales we can sell directly to the retailer or restaurant. Working directly with importer and suppliers we have very good access to information” (5). This is a change in resource ties (better access to information) and actor bonds (more openness and cooperation).

This means that Shoitachi is able to give the retailers detailed information regarding traceability and meet the retailer’s requirements: “Having a close relationship with the importer guarantees traceability which is important both to us and the retailer” (9).

The change towards more demanding retailers has had an impact on actor level. For instance, Shoitachi have recently built a new plant which is geographically located close to their main retail customers (25). He has introduced new production techniques which enable more tailored production to the retailers’ requirements. As an example, he mentions new monitoring technology; “As you can see, over there is a camera. At our new plant, we have recently introduced a well-equipped camera system where I can watch the workers slicing the fish. Even from my cellular phone. In a business negotiation, if you are a buyer, I can show it to you on my phone. It is so much easier” (24)

These changes may be explained by sensemaking at the actor level in box D. The respondent believes that retailers are increasingly concerned with traceability, and they are becoming more demanding: “Restaurant and supermarket specifications are becoming very strict regarding sizes, quantities, etc. By securing the supply of raw materials we can guarantee the retailer that we can meet his demands. Earlier, we didn’t know whether we could get supplies or not. And of course, having a close relationship to the importer guarantees traceability which is important both to us and the retailer. In total, it is much easier to adapt to the retailers requirements with direct access to the importer” (19).
4) *Fishmarket less powerful*

Fourth, the fishmarket is bypassed by direct distribution. This is a change at network level: “In order to adapt to these changes, we deal directly with the suppliers now, but we use the fish market as a distribution centre” (4) This also has an effect on the activity links as he maintains contact with the fish market, but he uses it for other purposes.

To explain this change, he uses sensemaking devices at the actor level (box D) as he claims that the fishmarket has less product variety compared to some years ago: “The fish market traditionally has had a very strong power in terms of the collecting and distributing seafood in Japan. But nowadays its power is decreasing rapidly. 5 years ago they supplied a range of products; high-end, low-end product, very good freshness, lesser quality, and so on. A wide range of products. But now they only have very limited range” (1, 2)

5) *Possible filleting in Norway rejected*

Finally, he discusses a possible change which is rejected. He talks about a potential network in Norway filleting salmon (15a, sensemaking at network level), but this thought is rejected because he believes that the Norwegians lacks the necessary skills to fillet the fish (15b, sensemaking at actor level): “We do everything for the retailers; from the whole fish, filets, skin off, and also scrape meat. We take off some of the meat from the backbone using a spoon. This can only be done by the Japanese. We don’t think the Norwegians can do it. The Japanese standards regarding microbiological issues are very strict. If you process in Norway the number of bacteria becomes very high and Japanese retailers cannot accept it. It must be done here. I have tried to use fillets produced in Norway, but it didn’t work. We have tested it several times, but it didn’t work.” One may also look at these arguments as a way of justifying and reinforcing the current positive relationship he has with his partners in Japan. As such this sensemaking device at actor level has a further impact on the dyad level as it stabilises the network. This is in fact resistance to change; a new network was discussed, but never implemented.

**Boxes C and E: From “Now” to “Future”**

Turning to future changes, he does not go into detail here. On the network level, the respondent does not believe that the network will change dramatically: “The distribution channels will not change as rapidly as we have seen up until now. Change is appearing slowly in Japan. Everybody has very distinct functions, I don't think it will change that
much” (21). But volumes to the supermarkets and restaurants will increase (change at dyad level), and the processor will have growth in their business overseas (change at network level): “In five years we will have increased production to the restaurant and supermarkets in Japan. There will also be a growth in our business overseas” (23).

Having analysed Shoitachi’s extended dottogram, here follows an analysis of Asahi Retail’s extended dottogram.

### 7.1.3.4 Asahi Retail

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<tbody>
<tr>
<td>- FM will decline further, DD will grow (19)</td>
<td>- Needs production processes which makes it easier for unskilled workers to handle the fish (25)</td>
<td>- Lack of wild salmon in Japan (24)</td>
<td>- Traceability is important (3, 6)</td>
<td>- Integration and cooperation of all four actions is very positive (one team!) (15)</td>
<td>- Dissatisfaction towards the fishmarket, cannot supply (29)</td>
<td>Retailers have increased their power (35)</td>
<td>- Switch from fishmarket to OTC implied working with a new type of processor and a new supplier (35)</td>
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<td>- Closer ties with exporter in the future (15b)</td>
<td>- Needs stable suppliers (24)</td>
<td>- Must strengthen ties to producers of farmed salmon to compensate for lack of wild salmon (25)</td>
<td>- Closer ties to supplier and access to information (making strategic planning easier!) (3)</td>
<td>- Alternative snapper and yellowtail network works well (15)</td>
<td>- Integration and cooperation of all four actions is very positive (one team!) (15)</td>
<td>- Switch from fishmarket to OTC implied working with a new type of processor and a new supplier (35)</td>
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<tr>
<td>- Increased costs (21)</td>
<td>- Improved sales and product strategy (7)</td>
<td>- More direct distribution (1)</td>
<td>- Closer ties to the supplier (12)</td>
<td>- Better access to information (2)</td>
<td></td>
<td>- Closer ties to the supplier (12)</td>
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<tr>
<td>- Must employ less skilled people (22)</td>
<td>- Needs stable supplies and superior quality (1)</td>
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<td>- More processed products (26)</td>
<td>- Closer ties with supplier in the future (15c)</td>
<td>- More commitment, closer ties to the supplier (12)</td>
<td>- Improved sales and product strategy (7)</td>
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<td>- Closer ties with supplier in the future (15c)</td>
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Fig. 7.14: Asahi Retail’s extended dottogram
Boxes B and D: From “Then” to “Now”
Looking at what is happening (box B) and how these changes are explained (box D), these five issues emerge: 1) General change towards direct distribution, 2) From several to one supplier, 3) Less volume from the fishmarket, 4) Growing number of large retailers and 5) Connected to a new type of processors and exporters.

1) General change towards direct distribution
In box B, the respondent identifies a change towards direct distribution on the network level, omitting the wholesalers at the fish market: “At this moment, Japanese retailers are starting to realize that traceability is very important. By Japanese law we are required to secure the traceability of the product. So that’s why, if we buy from the fish market, even though this is Norwegian salmon, I cannot identify where it has been harvested or when it arrived in Japan. That's why we want to have more direct dealings” (1).

This change has improved his relationships with other actors (dyad level); he now has access to more information (resource ties), and the relationships are characterized by closer ties, better communication, less conflicts and openness (actor bonds): “Traceability is important for Japanese farmed fish as well. Regarding Japanese farmed fish, like yellowtail or snapper, we have a good relationship with the Japanese farmed fish associations. When there is trouble we can communicate with the importer. So that's why we want to have close relationships with other suppliers” (4).

On the actor level, this change towards direct distribution has implied that he has saved costs, and it is now possible to make improved sales forecasts: “By getting information from Japanese consumers and giving this information to the supplier, we are able us to improve our sales and product strategy” (7).

Turning to box D, he uses several sensemaking devices on the actor level to explain why these changes are happening: First, traceability is very important to him: “At this moment, Japanese retailers are starting to realise that traceability is important” (3), and he is very concerned with stable supplies and superior product quality, i.e. freshness of the salmon. This is easier with direct distribution: “We have to think about how many piece of salmon we want to sell in one day, in one week, in month, in one year. So in that sense we want to
have a supplier which can maintain the stable quality and supply which enable us to forecast our sales” (13).

Another way to look at this is in terms of sensemaking devices at the dyad level; the reasons why he is able to improve his sales forecasts and supply better products to his customers are the close ties to his supplier, better access to information, improved commitment and better communication.

2) Less volume from the fishmarket
A second change at the network level is the reduced volumes from the fishmarket. This can be seen in relation to the discussion above. On the dyad level this is related to a change in atmosphere in the relationships between himself and the suppliers at the fish market. These relationships are characterised by tension and conflicts: “The power-balance between us and fish market has changed. The fish market used to have a lot of power, but not anymore” (26).

Turning to box D, sensemaking on the actor level, he is increasingly dissatisfied with the fish market and this in one reason for the change: “They cannot add value, they cannot supply what we want and we are not satisfied with them” (29). He is increasingly satisfied with his new suppliers. “We are all working together as a team!” (18).

3) From several to one supplier
A third change in the network which is related to this discussion is that he has moved from having several suppliers to only one: “At this moment, I am only buying from them. Before that, the fish market system” (14)

This change at network level further implies a change at dyad level as the atmosphere in his relationship with his supplier has become very positive. Being satisfied with this supplier can also be seen as sensemaking at the actor level, as this reinforces the positive atmosphere of the relationship. He also uses sensemaking at the network level to explain this, as he refers to the positive integration and cooperation in the network that he now is experiencing. Pointing at the network picture, he says that “this is Norway Salmon, this is the processor, this is us. Norway Salmon and Bluewater Trading are one team. And we are working together!” (18).
4) Growing number of large retailers

A fourth change at network level is the growing number of large retailers in Japan, and the subsequent reduction of small retail shops: “There used to be a lot of fish shops in Japan. But now the numbers are decreasing rapidly, about 5000 shops per year. Now the main actors are the large supermarkets, like Asahi Retail” (9).

On the dyad level, this has changed the power balance between retailers and suppliers: “But now we are becoming so powerful…” (33).

Turning to box D (why these changes are happening) the impression that retailers are more powerful can also be seen as sensemaking at the actor level. This may explain some of his actions: “But now we are becoming so powerful we don't have to pay more than we have to. It’s meaningless” (35).

5) Connected to new type of processor and exporter

Finally, there has been a change in the type of companies which he is connected to. Switching from suppliers at the fish market to Bluewater Trading means that Asahi Retail now works with a different kind of processors and producers. This network change is explained by sensemaking at the network level: “Previously, the wholesaler at the fish market selected the processor, not us. Now, when we buy from Bluewater Trading, we work with different processors” (31).

Boxes C and E: From “Now” to “Future”

He is mainly concerned with three issues here: 1) Increasing direct distribution, 2) Increased filleting costs, and 3) Lack of wild Japanese salmon in the future.

1) Increasing direct distribution

Turning to boxes C and E, he sees that “the central fish system will decline, and direct distribution will increase” (19). This implies even stronger ties in terms of increased meeting activities, and joint sales promotion activities: “In terms of cooperation with Norway Salmon, we have just started the relationship, but we will have a have sales promotions together and we will have meetings together” (15b).
2) **Increased filleting costs**

Another future change at actor level is the increased filleting costs (21). This means that he must use unskilled workers in the production: “There will be increased demand for processed products. The costs will increase. A processing fee is required, and we have to think about the total lost. Increased costs means less workforce. It is very hard for us to get skilled workers, people who can cut the fish, because of the lack of workforce now. So we want to have a product where we don't need skilled workers. They only need to know how to cut. There used to be many skilled workers to handle the fish but now we don't have enough skilled workers” (22). Hence, Asahi Retail need to develop production processes which make it easier for unskilled workers to handle the fish (23, sensemaking at actor level), and they need stable supply of fish (24, sensemaking at dyad level).

3) **Lack of wild Japanese salmon in the future**

An interesting future development which he discusses is a potential lack of wild caught salmon in Japan. This is a change at network level. “We have to push this change towards direct distribution because a lack of wild caught salmon” (24).

To keep his position, he must strengthen ties to producers of farmed salmon to compensate for the lack of wild caught salmon: “…and we need to have good communication with the suppliers”(25). This is sensemaking at dyad level.

7.1.4 **Intra-case analysis of Case 1**

7.1.4.1. **Comparing the extended dottograms**

The following table 7.3 shows how the different themes compare across the four respondents. The first column lists five themes which is found to be common in Case 1. The four other columns lists the various themes identified in the extended dottogram for each respondent. These themes are found in boxes B and D (future changes will be discussed towards the end of this section). For example, in the first row Norway Salmon, Bluewater Trading and Asahi Retail have all discussed changes that have been related to the emergence of direct distribution. Hence, the first common theme is “1) General change towards direct distribution” (see table 7.3 next page):
Using the same approach on all the themes, these five issues are similar to the four respondents: 1) General change towards direct distribution, 2) Reduced number of suppliers, 3) The diminishing role of the fishmarket, 4) New type of retailers and 5) The network is becoming more integrated.

1) General change towards direct distribution
Norway Salmon, Bluewater Trading and Shoitachi all identify the change towards direct distribution, whereas Shoitachi talks about this indirectly. Norway Salmon talks about “closer ties to actors in direct distribution” and the “general trend towards direct distribution, bypassing the fishmarket”. Bluewater Trading mentions “increasing direct distribution, 50/50 now but slowly changing”, Asahi Retail also mentions “more direct distribution”. In this context they all point to improved relationships with other actors in the new network compared to how they used to work with actors in the fishmarket. Bluewater Trading is perhaps the respondent which gives the richest description of these adaptations. In terms of actor bonds he highlights closer relationships to retailers and processors (mentioned twice), strengthened ties to Norway Salmon(three times), more commitment in terms of meetings, discussions and cooperation (four times), friendlier atmosphere (twice). In terms of resource ties he mentions better access to information, fresher salmon and increased volumes. Finally, in terms of activity links he discusses promotion activities, campaigns and pricing policies. He also highlights the role of
chartered flights in improving the efficiency of the network. Other changes in actor bonds mentioned here are improved communication (Norway Salmon) and improved access to information, closer ties, better communication and fewer conflicts (Asahi Retail).

On the actor level, there are relatively few changes: Norway Salmonsays that he has created new positions within the company as a result of this development. Asahi Retail has improved his sales and product strategy and Bluewater Trading has become more clear and concise in planning his marketing activities.

How do the actors explain why the changes are happening? Interestingly, all three of them point to retailers’ demand for traceability as an important explanation. Norway Salmon also mentions increased retail power, but they give few other explanations.

2) Reduced number of suppliers
Shoitachi and Asahi Retail both mention that they have reduced their number of suppliers of fresh salmon. Asahi Retail has moved from several to only one, Shoitachi has gone from five to one. By this “one” supplier they mean Bluewater Trading. But this is where the similarities end. Shoitachi talks about how this change has resulted in a closer relationship, increased volumes and improved stability in his relationship with Bluewater Trading, whereas Asahi Retail does not say anything about changes on a dyad level here. Presumably, the changes at dyad level discussed above may also be seen in context of a reduced number of suppliers. On the actor level, Asahi Retail has saved costs, but Shoitachi does not mention changes at actor level here. Further, they revert to different sensemaking devices when they are explaining these changes. Shoitachi mentions only a few points here, a need for stability and being less geared towards risk. Asahi Retail talks about how he gave more business to Bluewater Trading as satisfaction grew. Now he is very pleased with how the network has become integrated, he talks about “one team!”

3) The diminishing role of the fishmarket
Norway Salmon, Bluewater Trading, Shoitachi and Asahi Retail all discuss the decline of the fishmarket. This is of course related to the point above, the growing rate of direct distribution. They talk about it in very similar terms. On the network level, Bluewater Trading points to the decline of the fishmarket in relation to the growth of direct distribution; Shoitachi says that he is increasingly bypassing the fishmarket; Asahi Retail
buys fewer volumes from the fish market. Norway Salmon says that the fish market is slow to change. But they give different perspectives on the effects of this change. Norway Salmon is perhaps the most positive towards the role of the fish market. He sees a role for it in the future as it has distinct functions that are not easily replaced, and therefore wants to keep strong ties with the fish market. Shoitachi has similar arguments as he still uses the fish market as a distribution centre. Perhaps the actor which is most negative towards the fish market is Asahi Retail. He talks about tensions in his relationship with the actors there, and he is clearly dissatisfied with their ability to supply quality products. Behind all this is of course the impact of traceability, although this is not discussed here.

4) New type of retailers
Shoitachi and Asahi Retail both mention changes at the retail level. Asahi Retail talks about this at the network level, where the number of large retailers is growing, and small retail shops are decreasing. As a result, the power balance between retailers and suppliers is moving in favour of the former retailer. Shoitachi does not talk about the retailers on the network level; he addresses the changes at the dyad and actor levels. He is now in a position to better serve the needs of the retailer, and he has made adaptations to his production process to serve the retailers. As such, this serves as a perfect example of how powerful the retailers are becoming, a point stressed by Asahi Retail. Hence, these two actors have very similar perspectives. Asahi Retail and Shoitachi also have similar views regarding how they explain retail power as a sensemaking device; Asahi Retail says that retailers are increased their power, and Shoitachi says that the retailers are becoming more strict. Norway Salmon and Bluewater Trading also discuss the power of the retailer, but they use it as a sensemaking device to explain the change towards direct distribution.

5) The network is becoming more integrated
There are similarities in the way the actors refer to how their cooperation started, and how they have adapted to each other. This is referred to in box C when he talks about further integration in the future. Asahi Retail, Bluewater Trading and Shoitachi all refer to this integration process on the network level. Asahi Retail holds that he has just started the relationship with Asahi Retail, but this has given him access to a new type of processors (meaning Shoitachi) and a new type of producers (meaning Norway Salmon). Shoitachi also discuss how he started working together with Norway Salmon and Bluewater Trading. His example is that they were approached by a restaurant chain, but he does not mention
Asahi Retail at this stage. Bluewater Trading is perhaps the actor who is most concerned with integration of the network. In addition to discussing how Norway Salmon, Bluewater Trading, Shoitachi and Asahi Retail are working together, he highlights the role of NSEC in this network. He also gives examples of how ties to this network have enabled him to access other network, like access to Norway Salmon’s network overseas for distributing yellowtail. As shown in box C he refers to sensemaking on all three levels to explain why the network is becoming more integrated, but the underlying theme seems to be very actor oriented.

7.1.4.2 Where do the perceptions differ?

There are a number of areas where the perceptions differ but these areas are few. Norway Salmon and Shoitachi both talk about filleting, but with opposing conclusions. Shoitachi doesn’t believe that the Norwegians are capable of filleting to the standards demanded by the Japanese market, whereas Norway Salmons see this as a way of adding value to the product and saving costs.

Bluewater Trading discusses the role of Chilean salmon. This perspective is not discussed by the other actors.

Regarding future developments, Box C is perhaps where the actors have different perceptions. Whereas Norway Salmon has a rich description of future developments, the other three actors do not discuss this in much detail. In Bluewater Trading’s case box C is nearly empty. Asahi Retail have some considerations to the future developments. Their perceptions regarding the future are also very different from one another. For instance, when Norway Salmon believe that the network will change fundamentally, he is thinking of merging with his partners. Shoitachi on the other hand does not think that the network will change dramatically.

7.1.4.3 Brief concluding comments

Having looked at how the changes are described in box B in each template, the actors seem to share very much the same perceptions regarding how the network changes. But their explanations for the changes are different.
Norway Salmon’s respondent demonstrates detailed knowledge of the Japanese market, and from his position at Norway Salmon, he is able to compare where the Japanese market is heading compared to other export markets. He has a broad scope when discussing changes. In all boxes except box E, he refers to changes along all three dimensions (network, dyad and actor level). Running through the interview is a quite optimistic view regarding the Japanese market, and this is evident from his template as the majority of his concerns are about the future.

Bluewater Trading seems to be much more tangled up in “here and now” processes. He is continuously adjusting to the changes taking place at the dyad level; both the changes in his relationship to his new supplier (Norway Salmon), to his new customer (Asahi Retail), to his old customer (the fishmarket) and to the processor which is also a new actor in his network. He has a broad scope explaining the dyad changes as he refers to sensemaking at network level in addition to actor level (box D).

This is also evident in Shoitachi’s case. He also seems preoccupied with the current state of his network; he does not talk about the future in depth. His focus is on his dyads, and he attributes these changes to other actors. It seems like he is focused on adjusting to the changes taking place in the distribution at the moment. As with Bluewater Trading, he is “in between” Norway Salmon and Asahi Retail, and is busy manoeuvring and responding to changes taking place in the distribution system. His concern is to make things work with his closest relationships. Norway Salmon and Asahi Retail are at “opposite” ends of the distribution channel. They are facilitating changes, not merely responding to them. From the interview it appears that both Norway Salmon and Asahi Retail are very action oriented, they want things to happen. They have a vision of where they want to go; Norway Salmon wants closer ties to the retailers, and Asahi Retail wants closer ties to the producers. They both initiate actions based on these strategies. The template of Norway Salmon and Asahi Retail is similar in that they focus on the future. Shoitachi and Bluewater Trading understand these concerns, but their challenge is to respond favourably to them. Thus, Shoitachi and Bluewater Trading share similar templates, particularly concerning boxes B and D.
The actors describe the same changes, but how they understand the change and decides to deal with it differs between them. It may seem like network position has something to do with the way the respondents perceive and react to change.

Further, the case indicates that network pictures play a role in that actors need to confront the established network pictures of other actors to change the network, or deliberately target other actors which shares similar network pictures to create change.

This case is also about resistance to change. Some actors may seek to maintain the status quo of their network (in this case the fish market) by using network pictures to argue the advantages of its role and functions.

Having analysed Case 1, here follows and analysis of Case 2 using Model 4.
7.2. Case 2 – A fish market network

A brief description of the actors

**Exporter: Supreme Seafood**

In 2007 Supreme Seafood merged with Global Salmon and Rocky Coast. Today it is the world’s leading seafood company and largest producer of farmed salmon. Supreme Seafood has operations in all areas where salmon is produced. In addition to fillet production and further processing in Norway, Scotland, Ireland, Chile and Canada, Supreme Seafood has extensive value added processing activities in the US, France, Belgium, Poland and Netherlands. The product range is wide and includes coated seafood, ready-to-eat meals, finger food and a variety of smoked seafood. In addition to salmon farming, the company also produces halibut.

**Importer: Supreme Seafood Japan**
This importer/subsidiary in Japan is also a result of the merger, combining the former Global Salmon Japan subsidiary and Supreme Seafood Japan. Its sales activities focus on Atlantic salmon and trout, but it also sells other products such as Coho (Pacific salmon) and. It sells various value added products of fish such as fresh, frozen, head-on gutted, head-off gutted and filleted fish.

**Primary wholesaler: Karatsu**

Founded in 1947, Karatsu is one of seven licensed primary wholesalers at Tsukiji. It is also a licensed importer. In addition to its Tsukiji operations, Karatsu are present at four other fish markets in the Greater Tokyo area. It is owned by the Maruha Group which is the world largest group of companies in the fishing industry, vertically integrated into fishing vessels, wholesalers and supermarket chains. It buys seafood from all over the world, including fresh and frozen salmon from Norway, Chile, New Zealand and Canada. In 2008 Karatsu imported 900 tons of fresh salmon. 80% comes from Norway, the rest is from Canada. As a comparison, they import 20,000 tons Chilean salmon. The consignment that they received the day of the interview was 130 – 140 cases, of which 70 ended up at the Tsukiji.

**Secondary wholesalers: Two secondary wholesalers at Tsukiji**

The intermediate wholesalers (also called secondary wholesalers or middle wholesalers) purchase salmon from the primary wholesalers and sell it to buyers who come to the market such as small retailers or restaurants in the Tokyo area. In order to trade as intermediate wholesalers, a company must get a license from the authorities. This case includes brief interviews with two small secondary wholesalers at Tsukiji.

7. 2. 1 Description of present network

*At the airport:*

The salmon arrives from Norway at Narita Airport in the afternoon (picture 7.21). It is transported to customs clearance at the airport, and thereafter transported to the distribution centre for re-icing. The distribution centre at Narita is situated outside the premises of the airport, but the drive is only about 5 minutes away. There is also a storage facility at the airport which the importer may use if they wish. The temperature here is between 0 and 5 degrees.
The distribution centre is owned by Sensei Service, the same company which receive the salmon at Kansai Airport. Kansai is a newer airport than Narita. When it was constructed, storage, distribution and re-icing facilities were included. At Narita these facilities are found outside the airport. There are several distribution centres offering these facilities, all used by the importers in the current sample (picture 7.22).

At the distribution centre the fish is reiced and restrapped (picture 7.23). It is then sorted and placed on pallets depending on its destination (pictures 7.24 and 7.25). The boxes with Supreme Seafood salmon is mixed with boxes from other suppliers, depending on the order placed by Karatsu. All boxes destined for Tsukiji is placed on a pallet marked Tsukiji, and is driven there during the night (picture 7.26). Some boxes are transported directly to processors, licensed buyers and supermarkets. But these direct sales account for only a small part of overall sales, according to Karatsu, the primary wholesaler: “90 per cent of the volume is through the middle wholesalers at the Tsukiji and the remaining 10
percent is direct sales to the final customer. These are small-sized companies, small-sized restaurants in the Tokyo area. There is price advantage buying directly from Karatsu compared to buying from the middle wholesalers. But usually the final customers have to buy a lot of fish, not just fresh salmon. So they prefer to buy from middle wholesalers because Karatsu cannot supply them a great variety in small volumes. Usually the final customers have their own delivery system and their own trucks. So they come here with their car and they just buy their food from the middle wholesalers and they deliver by themselves to their final destinations”. Another reason for using the middle wholesaler is that primary wholesalers start their business early in the morning, around 02.00, and they close their office before the rest of the market. This means that they can’t deliver the final destination, and they are dependent on the intermediate wholesalers to ensure the freshness of the fish.

Picture 7.23: Re-icing and repacking

Picture 7.24: Boxes waiting to be distributed
At the primary wholesaler:

At Tsukiji, the pallets arrive early in the morning, about 02.00. Karatsu staff receive and check the consignment, and put the boxes in the wholesaler section of the market together with consignments received from other supplies (pictures 7.27 and 7.28). Karatsu sells about 900 tons of fresh salmon per year, 80% of this is Norwegian salmon. The remainder is Canadian.
At the secondary wholesaler:
The secondary wholesalers then come and buy the fish they need (pictures 7.29 and 7.30). They buy small volumes, normally one or two pieces and hardly more than three fish at a time. They also buy a range of other species from other primary wholesalers. Some
secondary wholesalers shop around, but most of them buy from wholesalers that they have
known for a very long time. The fish is filleted by the secondary wholesaler (picture 7.31),
and put into smaller boxes ready to be picked up by the customers such as small retailers
and restaurants (picture 7.32).

![Picture 7.30: 2nd wholesaler buying salmon from primary wholesaler](image)

![Picture 7.32: 2nd wholesaler filleting salmon](image)
At the retailer:

Retailers sometimes come to the Tsukiji to pick up the fish but normally they use distributors who collect the fish from several secondary wholesalers and ship it off to the retailer or the restaurant (pictures 7.33 and 7.34).

The Karatsu respondent argues that the retailer takes home the largest share of the profit. It is customary that the retailer sells the salmon at 2.5 times the buying price. Restaurants normally have a 4 times mark-up price. As a comparison, salmon sold at Jusco, one of the largest retail chains in Japan, prices the salmon at between 2000 – 2500 yen/kg. They buy directly and have a mark up of four times the buying price, according to Karatsu. Regarding retail price, Karatsu don’t have a clear image of how prices develop in the fishmarket system compared to the direct system. But they suggest that Japanese retail price seem unaffected by the type of distribution system. The respondent gives the following price example (see table 7.4):

| Price incl. cost and freight from Norway: | 730 yen/kg |
| Transportation | 50 yen/kg |
| Repacking | 150 yen/kg |
| **Total** | **880 yen/kg** |
| (Karatsu’s profit) | -30 + 50 yen/kg |
| Sold to 2nd wholesaler at | 850 – 900 yen/kg |
| (2nd wholesalers profit) | 50 – 100 yen/kg |
| Sold to retailer at | 950-1000 yen/kg |
| (retailers profit) | 1500 – 1550 yen/kg |
| Sold to Japanese consumer at | 2500 yen/kg |

Table 7.4: Retail margins. Source: Karatsu’s respondent
Characteristics of the network: Rigid structure prohibits information

The two secondary wholesalers interviewed buy all of their salmon from Karatsu. Prices are stable and there is no incentive to shop around. Normally they have received orders for the fish the day before, and buy depending on this volume. Their customers are small retailers and sushi restaurants, sometimes small chains with 3-4 outlets, but never larger sushi chains. The retailers buying from the secondary wholesalers at the Tsukiji are small fish shops, mom and pop shops or tenant outlets in supermarkets and department stores, but never large retail chains. The fish market cannot cater for the big volumes which these chains demand. The chains may place the order directly with the primary wholesaler, but increasingly they buy outside the fish market.

The respondent at the primary wholesaler does not seem to know where the fish ends up when it is being distributed through the Tsukiji. When probed he could not name a single
retailer buying his fish. They don’t know all the secondary wholesalers either. This was clearly evident when the Tsukiji was visited together with the Karatsu representative; he literally had to ask around for secondary wholesalers that had bought his fish.

The secondary wholesalers know that the fish comes from Norway, but don’t seem to know the producer. They say that they don’t need to; they trust their suppliers, i.e., the primary wholesaler. They explain that this is also the case for their customers. Retailers and restaurants know the country of origin, but they don’t know the name of the producer. “It is all a matter of trust”, as one respondent says. The secondary wholesalers say that it is increasingly getting worse for them, they hardly make a profit: “There are so many customers who buy the fish directly from the wholesalers, and it’s very difficult for me to deal with this kind of competition.” This respondent explains that he sells the fish at almost the same price as they pay for it. In the recent years, the number of secondary wholesalers has dropped considerably. The two secondary wholesalers acknowledge that there is an increasing number of fish which is traded outside the Tsukiji, and they know that wholesalers are increasingly bypassing them selling directly to the retailers. They don’t like this trend, but there is little that they can do about it. However, there is still a need for Tsukiji, they argue. They know that the planned move to new premises is an attempt to make the market more effective, but some of the secondary wholesalers resist this move as they believe that this will increase the rent and ultimately their costs.
7.2.2 Analysing changes using the initial dottogram

7.2.2.1 Supreme Seafood Norway

Fig. 7.16: Supreme Seafood Norway’s dottogram

Here it is apparent that this respondent has given considerable thought to the changes happening at actor, dyad and network level. One should keep in mind that this interview was conducted in Norwegian, the respondent and interviewer’s native language, and it was a lengthy interview. This may explain the large amount of changes identified. But even if we adjust for this potential margin or error, it is evident that in box B the respondent is mainly referring to changes at network level. Explaining these changes, he generally refers to sensemaking devices at actor level. He has little explanations of future changes, and the few changes that he describes are mainly identified at network level.
7.2.2.2 Supreme Seafood Japan

This respondent also has given a lot of consideration of current changes (box B). From this dottogram it is clear that he sees changes occurring at dyad level to a greater extent than the network level. The respondent refers to sensemaking devices at actor level (box D) to explain these changes. In this dottogram the respondent also gives descriptions of future changes. These changes are both at network and dyad level. He has several explanations for these changes, as he refers to sensemaking at all three levels in box E.

7.2.2.3 Karatsu

Here, the respondent is apparently preoccupied with here and now processes, as the majority of changes described are found at network and dyad level in box B. He has few explanations for these changes (box D), mainly referring to sensemaking at actor level to
explain these changes. He has not given that given much consideration about the future, as there are relatively few changes referred to in boxes C and E.

7.2.2.4. Secondary wholesaler (1)

Fig. 7.19: Secondary wholesaler (1)’s initial dottogram

The two interviews with the secondary wholesalers were brief compared to the interviews with the other actors analysed here. As this dottogram presents, it appears that this actor has not much to say regarding current and future changes and how these are explained. Had the interviews been richer, this picture might have been different. During the interview attempts were made to get the respondent to describe these changes in more details, but he had given little consideration to network changes. This is evident from his responses quoted and analysed below. Additionally, knowing that he has given detailed answers to the questions regarding the functions he performs and his relationship to his suppliers and his customers as described in the first section of this case, one would assume that he would have given details regarding changes if he had insight to offer.
7.2.2.5 Secondary wholesaler (2)

As with the secondary wholesaler (1), this respondent does not seem to offer many descriptions of current and future changes, and how they may be explained.

Looking at these five templates in comparison, it is apparent that the exporter is more concerned with current and future changes than the other actors. Supreme Seafood Japan, the exporter’s Japanese subsidiary, is also concerned with several changes, most notably at dyad level. Karatsu and the two secondary wholesalers, i.e. respondents representing the traditional fish market, do not have the same detailed description of changes such as the two Supreme Seafood representatives. The two secondary wholesalers apparently have nothing to say on this matter, whereas Karatsu refers to current changes in greater detail than future changes. Supreme Seafood Norway, Supreme Seafood Japan and Karatsu all refer to sensemaking on actor level to explain changes. Supreme Seafood Norway has additionally several explanations on network level of current changes. Regarding future changes, it is Supreme Seafood Japan which refers to most changes here (box C).

It is not surprising that Supreme Seafood Norway and Supreme Seafood Japan have the dottograms containing rich accounts of changes. From the interviews, the majority of these changes are related to the merger between Supreme Seafood, Rocky Coast and Global Salmon. Supreme Seafood instigated this merger, and has duly given lot of consideration to why this was necessary. They are also members of an international organisation with considerable knowledge of and experience with current export trends. This enables them to
compare the Japanese market to other markets, and this may explain particularly Supreme Seafood Norway’s rich description, and to some extent Supreme Seafood Japan’s responses. There is also a strong division here between actors inside the fish market, and actors outside the fishmarket. Karatsu, one of the largest wholesalers at the fishmarket, mentions relatively few changes compared to the two Supreme Seafood companies. One may assume that they are mainly concerned with what is happening at the fish market, and does not have strong perceptions about what is happening outside the market. During the interviews we have seen that Karatsu discuss increasing retail power and the merger with the three Norwegian exporters in detail, but their accounts are not as rich as the Norwegian sample who have instigated the merger. As such, Karatsu’s answers seem to be more of a response to moves by Supreme Seafood, not the other way around. This observation is particularly apparent regarding the two wholesalers. These two are mainly preoccupied with their day-to-day activities at the fish market, dealing with suppliers and customers. They only mention a few perspectives on current and future changes, but their perceptions regarding the future of the fish market are very similar to the other actors as we shall see in the sections below.

Finally, one point to notice is that the respondents mainly refer to sensemaking at actor level to explain changes. Supreme Seafood is the only actor that uses sensemaking at network level to a large extent. As suggested above, one reason for this may be that this respondent has a wider perspective on the current challenges facing his organisation. But comparing the first three dottograms, it is evident that the respondents first and foremost attribute changes as a response to actions by other actors. Changes explained as a consequence of changes in relationships are not evident here at all.

Having analysed the initial dottograms, here follows an analysis of changes using the extended dottograms.
7.2.3 Analysing changes using the extended dottogram

7.2.3.1 Supreme Seafood Norway

<table>
<thead>
<tr>
<th>1. Further Network Integration</th>
<th>2. Fishmarket will remain reduced influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Product development, training, meetings (68)</td>
<td>- Wholesaler markets will not disappear (64)</td>
</tr>
<tr>
<td>- Create a new brand together (39)</td>
<td>- Slow changes (51)</td>
</tr>
<tr>
<td></td>
<td>- Changes are slow (24b)</td>
</tr>
<tr>
<td></td>
<td>- Not many changes in 5 years (134a)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1. Direct distribution is increasing</th>
<th>2. Still dependent on the fish market</th>
</tr>
</thead>
<tbody>
<tr>
<td>- More DO already happening (36)</td>
<td>- Still dependent on the fish market (15a)</td>
</tr>
<tr>
<td>- More direct contact with retailers (32)</td>
<td>- Still seeks to importers (24b)</td>
</tr>
<tr>
<td>- More integrated network (31)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. Merger between Global Salmon, Supreme Seafood and Rocky Coast Seafood</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Created a new business unit for Asia (17)</td>
</tr>
<tr>
<td>- Created new business units and called Value-added products (22a)</td>
</tr>
<tr>
<td>- Established business unit in Norway for Asia sales (2)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>- Rocky Coast and Global Salmon merged spring 2005 (1)</td>
</tr>
<tr>
<td>- Global Salmon and Rocky Coast merged with Supreme Seafood (2)</td>
</tr>
<tr>
<td>- Two parallel distribution structures at one moment (8)</td>
</tr>
<tr>
<td>- Supreme Seafood Japan replaced traditional Japanese importers (33)</td>
</tr>
<tr>
<td>- Business-model common in Supreme Seafood system. &quot;Win&quot; over Rocky Coast and Global Salmon models (73)</td>
</tr>
<tr>
<td>- Corporate strategy. Each unit responsible for its own business (16)</td>
</tr>
<tr>
<td>- Reverses Europe (36)</td>
</tr>
<tr>
<td>- PF-Rocky Coast structure not cost-effective (11)</td>
</tr>
<tr>
<td>- Existing distribution structure profits information (61)</td>
</tr>
<tr>
<td>- Old model not effective (77)</td>
</tr>
<tr>
<td>- Believe costs would be reduced by 10-15% by omitting wholesalers (62)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>C</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Will not be many traditional Japanese importers left (50)</td>
<td>- Knows from experience that other exporters have the same discussions (65)</td>
</tr>
<tr>
<td>- Tendency to further integration will continue (25)</td>
<td>- Needs to develop a wider product range</td>
</tr>
<tr>
<td>- We may own more of the operations in Japan in the future (69)</td>
<td>- Suppliers in other markets (Boston) have a broad product range (70)</td>
</tr>
<tr>
<td>- Closer integration with large retailers (79)</td>
<td>- Suppliers may turn elsewhere otherwise (67)</td>
</tr>
<tr>
<td>- Closer integration with large restaurants (79)</td>
<td>- New model creates ownership and closeness to the market, but not quite sure (64)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>- More DO already happening (36)</td>
<td>- Traditional market limits operators, ineffective (65)</td>
</tr>
<tr>
<td>- More direct contact with retailers (32)</td>
<td>- Traditional importers are too expensive (29a)</td>
</tr>
<tr>
<td>- More integrated network (31)</td>
<td>- Some importers are too small (40)</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Traditional system would be perfect if improved (46)</td>
<td>- PF-Rocky Coast structure not cost-effective (11)</td>
</tr>
<tr>
<td></td>
<td>- Existing distribution structure profits information (61)</td>
</tr>
<tr>
<td></td>
<td>- Old model not effective (77)</td>
</tr>
<tr>
<td></td>
<td>- Believe costs would be reduced by 10-15% by omitting wholesalers (62)</td>
</tr>
</tbody>
</table>

- CEO made decision to go for Supreme Seafood model (10) |
- Sought advice from McKinsey (9) |
- Had to act according to size (30) |
- Supreme Seafood is so big the customers must take notice of them (28b) |
- Responsibility to develop market, has 30% share today (21) |
- Needed to reduce no. of suppliers (14) |
- Could not achieve this in the old structure (54) |
The interview with the respondent is first and foremost an account of the changes that took place in relation to the merger between Rocky Coast, Global Salmon and Supreme Seafood. The changes described here are mainly concerned with the merger but other changes at actor, dyad and network level are also discussed.

Looking at boxes B (what is happening) and D (why is it happening), changes may be classified according to these nine themes: 1) Direct distribution is increasing, 2) Still dependent on the fish market, 3) Merger between Global Salmon, Supreme Seafood and Rocky Coast, 4) New structure creates conflict, 5) New ties created after merger, 6) Increasing retailer power, 7) Access to new resources, 8) Improved network position and 9) Volume of operations.
1) Direct distribution is increasing

In box B, the respondent refers to the general change towards direct distribution: “Things are developing at the retail level. What we have waited for to happen in Japan for 15 years is happening now, but very slowly. The distribution channel becomes shorter and levels are bypassed.” (36). This means that he now is in direct contact with the retailers, omitting the wholesale market and layers of distribution characteristic of the fish market system (31, 32).

Turning to box D, why these changes are happening, he uses sensemaking on the network level to explain the need for direct distribution. He raises a number of arguments such as a) the system is ineffective: “In a way the traditional system would be perfect for us, because there are no dominant actors like the retailers in Europe. But at the same time it limits our operations and it is not effective.” (85); b) the Japanese importers are too expensive: “It is also a matter of price. If we are to develop our ties with the retailers, the Japanese importer level becomes too expensive (29a); Japanese wholesalers are too small: “Some of the middlemen are small companies, they live as they breathe. They don’t have the financial resources or the people to take on the large retailers. Some are just a few people. We cannot place our entire strategy in the hands of these people. They can't plan for the future. We can't discuss campaigns and discuss retailers with them. They don’t know what we’re talking about. They feel their position threatened and have nothing to gain by changing the system” (40).

2) Still dependent on the fish market

However, Supreme Seafood is still dependent on the fish market as Supreme Seafood is not big enough yet to fully be engaged in direct distribution. This is a description of resistance to change (or stability) at network level: “We are not big enough yet to sell all our fish through this system, and we are still very dependent on the traditional importers and the fishmarket. But we are regarded as a competitor to these importers” (35a). Consequently, Supreme Seafood still sells to traditional importers: “This doesn’t mean that we have stopped altogether selling to other importers in Japan, it still happens” (24b).

3) Merger between Global Salmon, Supreme Seafood and Rocky Coast

Rocky Coast and Global Salmon merged spring 2006: “In the spring 2006 Rocky Coast and Global Salmon merged and created one sales system” (1), and shortly after Rocky
Coast/Global Salmon merged with Supreme Seafood (change at network level). Global Salmon had a distribution structure with a Japanese subsidiary, Global Salmon Japan. Global Salmon treated Global Salmon Japan as a Japanese importer, and it had to compete with other Japanese importers over favourable terms.

Some Japanese importers were however allowed to buy directly from Norway. Supreme Seafood had a similar distribution structure where Supreme Seafood Japan served as a Japanese importer, but they also allowed some importers to buy directly from Supreme Seafood Norway: “But when we merged with Supreme Seafood, they had a completely different sales system. They had a Supreme Seafood Asia office run from Singapore and an office in Tokyo. This handled all the sales from Supreme Seafood in Norway. So this office was the “face” of Supreme Seafood in Japan” (6). In Tokyo, the Global Salmon office was closed, some people were laid off and the rest moved in with the Supreme Seafood staff (change at actor level). Rocky Coast had a different distribution structure; it relied solely on Japanese importers. At one moment Supreme Seafood had two parallel distribution structures: "For a period we had the two systems working parallel: The Rocky Coast/Global Salmon system and the Supreme Seafood system” (8), but after a while the Supreme Seafood model became the favoured structure, where Supreme Seafood Japan replaced traditional Japanese importers: “With the new organization, we are now taking the place of the importer” (33).

At actor level, the merger meant that Supreme Seafood created a new business unit for Asia: “So we ended up treating the whole of Asia as a business unit” (17). “We therefore created a unit called Value Added Products. This handles all processing and distribution in EU. This unit gets all its fish from Supreme Seafood Norway and Supreme Seafood Scotland, and it handles all our retail activity in Europe” (22a). “So, Supreme Seafood Norway and Supreme Seafood Scotland have two main routes to market in the EU; Value Added Products (20% of our volume) and industrial customers (60%). The remainder (20%) goes to Asia. Here we have set up our own unit, Supreme Seafood Asia” (23).

How does the respondent explain these changes (box D)? He gives a number of arguments, both specific to the actors (Supreme Seafood/Rocky Coast/Global Salmon), and the network in which these are embedded.
Discussing sensemaking at the actor level first, he argues that the business model they set up in Japan is common in the Supreme Seafood system. To some extent, this model “won” over the two alternative models represented by Rocky Coast and Global Salmon: “Yes, for Global Salmon and Rocky Coast it is dramatic, but not for Supreme Seafood. This organization was used to this model. This was a business model inherited from the old Stolt Seafarm operations. Q: To me it seems that there are three companies which have merged, and one company’s business model has won? A: Yes and no. The old MH model was different from today’s structure in that it was a cost centre, not a profit centre as it is today. They have to pay according to market price. We are more comfortable with this. They only buy from us” (73). The new business model was also a part of corporate strategy: “The reason for this from a strategy point of view, each unit is responsible for its own business” (18). Further, this model resembles European distribution, and is the favoured approach in the Supreme Seafood system: “Previously we were unable to discuss directly with the retailer, but now as the channel is shortened, we are in a position to do so. Just like in Europe. This was difficult in the old system; we didn’t know what was happening. Now the system has become more transparent. (38c)

Paving out the new business model, Supreme Seafood sought external advice: “We sought a range of advice. McKinsey was one of the contributors” (9), and the decision was eventually taken by the CEO: ”We had several discussions. In the end the CEO decided to go for Supreme Seafood’s model, amending it somewhat” (10). The respondent also refers to the size of the company when reasoning why Supreme Seafood had to adopt a new business model. Supreme Seafood had a responsibility to develop the market: “Our new corporate strategy is to get closer to our customers. We have a 30% market share of farmed salmon worldwide, and we have to take responsibility to develop the market further” (21), and the company had to act according to its size: “But we are so big now; we need to act accordingly” (59), “In a way, the customers have to take notice of us. We are so big that they have to come across us in one way or the other” (72b).

The respondent also uses several sensemaking devices at network level, where he mainly discusses the shortcomings of the old distribution structure: For once, it is not cost-effective: “This system had high overhead costs. There were several people involved for relatively small volumes. It was difficult to identify the cost structure, prices and turnover. When we came in we couldn’t figure what was actually going on” (11). It further prohibits
information: “What we experienced working with Rocky Coastand Global Salmon was that the importers only are loyal up to a 5 ør [0,05 NOK] price increase. They are on and off, very ad hoc. And we knew very little of what was happening behind them [in the channel]. We got some information, but not sufficient. What the importers did was to by a load of fish, and drop it all over the place. In small units. And we saw that fresh salmon from Norway was being outmaneuvered by frozen salmon from Chile” (61). Evidently, he believes costs could be reduced by omitting wholesalers: “If we managed to cut the wholesaler, for instance, we could reduce costs by 10-15%. And we realized that Supreme Seafood Japan in the old system had higher added value than our system. So the system seemed quite logic, but we had to ask whether it would generate enough volume”. (62) To achieve this, the present structure had to change: “They had to stop trading all kinds of other obscure fish types, like snappers to Latvia and so on” (14) and this could not be achieved in the old structure: “We could have achieved this by using the existing importers. But we are so big now; we needed to act accordingly” (58).

4) New structure creates conflict
The new business model introduced after the merger created tension in the relationship atmosphere with the existing customers (change in actor bonds): “. several said no to this model…Others were in doubt. Could we do something together? Could we split the customer portfolio for instance? This was tried, but it didn’t work well. They soon came into conflict with us (52). At first, Supreme Seafood tried to maintain relationships to its old customers: ”For a while we tried to keep the ball rolling by selling to the old importers just to maintain volume, but the importers told us in meetings that “the day you change your distribution system, you are no longer our supplier”. And this was solid customers, important to us. They had been with us for many years” (45a).

Eventually, customers left (change at network level): “We had a range of discussions regarding our new strategy with our old and new customers. We tried to explain why we opted for this solution, not the other. This was very deliberate. But we lost several of our old customers. They did not want to buy from an office in Japan” (44); “… several of the old customers in Japan that used to buy directly from Norway have left us” (26). Today, volumes to these customers are considerably reduced (change at dyad level): “They buy very little. They appear from time to time, but I think it is all temporary” (28). Some of these former customers have now turned to other Norwegian salmon suppliers: “What has
happened now, when we changed our business model in Japan, is that a number of Norwegian exporters have got new customers. I talk to my old Norwegian competitors, and they are very happy now!” (71a).

Inside Supreme Seafood there were discussions and opposition to the new business model (change at actor level): “When we merged there was heavy discussion at corporate level which model to use. Should we have an office in Asia, or should this be handled from Norway? To create more ownership to the customers? This discussion was lengthy, from January to May. There was heavy disagreement over whether the Supreme Seafood Asia model would give enough ownership to the goods handled by the people in Norway. If we had an “island” floating around somewhere in Asia, pricing and customer relations would be difficult. Such a system would only create a business within the business. But the other argument favored was that we could have an office there without involving people in Norway in the customer relationships. But they would report back to Norway.” (7). Eventually, some people left the company. One of these was the former marketing manager for Japan at Rocky Coast (see also discussion in section five below) (25).

Turning to box D, why these changes are happening, the respondent uses several sensemaking devices on actor level. He explains that the Japanese importer rejected Supreme Seafood’s new business model because they saw it as a competitor: “They said to us that in time, you will become a competitor to us” (55a), “It was their decision. The new Supreme Seafood Asia is seen as a threat. Supreme Seafood Asia is also an importer and targets the same customers as the Japanese importers do” (27). These customers were used to buying directly from Norway, and resented the idea of having to buy from a Japanese subsidiary: “They did not want to buy from an office in Japan. In their view, we became a costly distribution level. Naturally, they wanted to buy from the source which is the exporter in Norway. So this became a natural process” (44c). One of the reasons for the concern was that the Japanese feared monopolistic pricing: “There has been a fear that our size means that we can determine the market price which will impose problems for independent importers. But we avoid this by operating at market price at our business unit level” (72a).

Existing importers also rejected change because they got better price dealing directly with Norwegian exporters: “In the end it became a price issue; the importers could get better
deals if they bought directly from the exporter in Norway. At the same time we were very
determined that Supreme Seafood in Japan should buy the fish at the same terms as the old
importers and generate profit in the market” (56). This is sensemaking at dyad level.

In an attempt to get support for the new model, Supreme Seafood tried to persuade their
customers by challenging their current view. They wanted them to take on other functions
and thereby changing their network position. But the customers rejected: “We explained to
them what we aimed to achieve early in the process. And the customers based their
decisions on this [information]. They said to us that in time, you will become a competitor
to us. That’s why they couldn’t continue buying from us. We really wanted to work with
processors, not traders. Processors which have taken a position in the market, such as the
company Norway Salmonis working with. We didn’t want to become traders, merely
moving fish from one place to the other. So we challenged them; do you want to change
your position and take on other functions? We could also gain economies of scale by
working together. But they didn’t buy it; they wanted to deal directly with Norway as a
matter of principle” (55).

In the end, the decision to change business model was a calculated move. Supreme
Seafood forced the decision upon their customers (sensemaking at dyad level): “For a
while we tried to keep the ball rolling by selling to the old importers just to maintain
volume, but the importers told us in meetings that “the day you change your distribution
system, you are no longer our supplier”. And this was important, solid companies. They
had been with us for many years. But this is what we decided in the end, and we had to
argue our position” (45).

Supreme Seafood were determined to drive through change despite angry customers: “We
knew that we would upset a number of actors such as the traditional importers, but we
decided to do it. Now we see that we are steadily increasing our volume again. It is now
80% of what it used to be”. (42). In fact, the merger gave them confidence: “But we knew
this would happen. In the old Global Salmon system, we had this discussion twice a year,
but we did not dare to do it because we were afraid we would loose business. After the
merger, we eventually said yes” (71b).
5) New ties created after merger

As mentioned in the above section, there was internal opposition to the new business model. The former Rocky Coast Japan manager left (change at actor level) and took up a new position with a Norwegian exporter competing with Supreme Seafood on the Japanese market (25a). In turn, some of his old customers in Supreme Seafood decided to follow him and started buying from this Norwegian supplier (change at network level): “We started this new model in July. In this process the person responsible for Rocky Coast sales in Japan left the company. He has now set up another company selling salmon to his old customers.” (25b)

6) Increasing retailer power

In box B, the respondent explains that Supreme Seafood now is in a position to deal directly with Japanese retailers (change at network level): “What they have done is that they [Supreme Seafood Japan] have increased the activity towards the retailers, and they have approached the wholesalers directly” (48). Having established a direct relationship to retailers also means that Supreme Seafood needs to create ties to other actors, in this case Japanese processors: “The retailers want to buy a whole range of products and we need to form alliances to have the fish processed in Japan” (41).

The network change towards direct contact with retailers has implied a change in actor bonds in terms of improved cooperation and commitment (change at dyad level): Firstly, Supreme Seafood now experiences a better dialogue with retailers compared to when they were relying on Japanese importers: “Suddenly we are in a position where we are in dialogue with the retailers that traditionally have received their fish from the fish market. Previously we were unable to discuss directly with the retailer, but now as the channel is shortened…”, (38a); secondly, communication has improved: “But now we have definitely made the system more efficient [and] shortened communication lines (64 b); thirdly, the system is more transparent: “but now … we are in a position to do so. Just like in Europe. This was difficult in the old system; we didn’t know what was happening. Now the system has become more transparent” (38b); finally, the relationships have become more interdependent; “These are companies in a symbiotic relationship”.

There are further changes at dyad level in terms of activity links: “We mainly ship whole fish and the fish is filleted in Japan. In the future this may be done in Norway, but the
Japanese prefer to do it themselves. So we ship the fish to what we call a “kitchen”. This is a producer that fillets the fish for us. He also acts as a distributor for us. He also supplies other products to the retailers” (42).

Explaining these changes (box D) the respondent uses sensemaking devices at actor level. We can group these into two categories: Motives and decisions on part of the retailer and motives related to Supreme Seafood. Discussing the motives of the retailer to drive the change towards direct distribution, the retailers are firstly becoming increasingly powerful: “What has happened in the rest of the world is that the “forces” of change is coming from the retailer” (39a); secondly, the retailers want to cut costs: “If I approach him directly he gets the fish cheaper” (39b); thirdly, traceability is more important: “Traceability and the story behind the fish become more important” (39c); and finally, retailers have no need for middlemen: “So there is no need for middlemen..” (39d). On Supreme Seafood’s part they have a strategy to get closer to the retailer: “Our new corporate strategy is to get closer to our customers” (21); “Supreme Seafood Asia is also an importer and targets the same customers as the Japanese importers do”, (28), “we had ambitions to get closer to the retailers, given our size.” (15). They also want to create more value for their customers and themselves (sensemaking at dyad level): “What we want to achieve is more value for our fish at less costs” (65a).

7) Access to new resources

The merger further meant that Supreme Seafood got access to new resources in terms of new processing plants (change at network level): “The merger meant that we got a quite considerable value added portfolio (processed goods). Rocky Coast had acquired one of Europe’s greatest processors and distributors to retail, Supreme Seafood had a plant in Poland and France, and we had a plant for smoked salmon.” (19). 

Explaining these changes (box D), the respondent says that MH had ambitions to get into new species: “Additionally, we have an ambition of moving into new species”. (16). At the same time they needed to reduce their product portfolio: “We could reduce the product portfolio. Before the merger Supreme Seafood Japan sold all kinds of products, they imported from a lot of sources. We wanted to get back to core business which is trout and Norwegian salmon” (13).
The need for a change in product portfolio (change at actor level) can also be seen in relation to the retailers increased demand for processed products. The changes described here may therefore also be seen in relation to the discussion of retail power above.

8) Improved network position

Supreme Seafood is now in an improved network position (change at network level): “We are now in a position as a supplier which enables us to talk directly with the large retailers. (60)

They can now target the large supply chains: “Just think what you could have gained if you could make this system more effective, and kept the fragmented product portfolio. Just think about the position you could have achieved! That’s the key! So what we are aiming at is the large retail chains, and to supply them with a wide range of products” (87).

Driving this change (box D) the respondent explains that this was a calculated move, they were determined to improve their position (sensemaking at actor level): “Basically, we wanted to gain a better position in the market. We wanted to dig deeper, we wanted to gain more insight” (57). Therefore, they needed to speed up change by establishing a new distribution structure: “The more you support it, the longer the [old] structure will remain. So we decided that if we are going to influence and speed up the process of change, we had to establish the new system (37). They also wanted to work with another type of processors and thereby changing their own position: “We really wanted to work with processors, not traders, processors that have taken a position in the market such as the company which Norway Salmon is working with. We didn’t want to become traders, merely moving fish from one place to the other” (53).

9) Volume of operations

This final section presents changes discussed at a more general level, which all have to do with Supreme Seafood’s volume and operations in Japan.

Using box B to present network changes, the respondent explains that when Global Salmon and Rocky Coast merged, the number of customers increased: “[The business unit in Norway] was run by former Rocky Coast staff. They also took over the old Global Salmon customers…(3), “We had business as usual, but the total number of customers increased. It nearly doubled. The customers were traditional traders and importers” (4).
But when PanFish/Rocky Coast and Supreme Seafood merged the volumes took a downturn, but are now increasing again (change in resource ties): “In the short run this change has implied that our volume in Japan has decreased. It nearly halved. We anticipated this, but we had a lot of discussions. Of course we didn’t want to lose business. We knew that we would upset a number of actors such as the traditional importers, but we decided to do it and now we see that by doing so we are steadily increasing our volume again. Now it is 80% of what it used to be” (42a). Clearly, these volumes must be improved: “That means that we must supply a higher volume. It is a question of being smart and listening to the market. Other importers are very active; they trade with Norway every day and know exactly the market price. We [in Norway] are not that hands on. We have a lag of around half a week”. (75)

At the actor level, this has implied that the number of staff has been reduced in Japan: “But the number of employees in Japan has been reduced compared to the joint staff of Supreme Seafood and Global Salmon previously in Japan” (see also discussion above) and costs have increased: ”For the time being, when we are setting up our operations, we have increased costs” (74). Compared to the joint operations of Supreme Seafood, Global Salmon and Rocky Coast in Japan, Supreme Seafood’s operations today are reduced: “Our operations in Japan are reduced compared to the joint operations of the three companies in other markets. The “old” Supreme Seafood Japan had a stronger presence in the market than we have now” (63).

An interesting sensemaking device here is that the respondent (based in Norway) explains that the Japanese market is not that promising for Supreme Seafood Japan anymore, whereas China is a coming market; “In China, the volume is considerably less. But here we work closer with the retailer, and this works well. Japan is an important market for our salmon, but for the company as a whole it is not that important” (65b).

**Box C and E: From “Now” to “Future”**

Turning to boxes C (what will happen) and E (why will it happen) two themes emerge: 1) Further network integration, 2) The fish market will remain, but with reduced influence.
1) Further network integration

In box C, the respondent believes that the network will be even more integrated.: “But the tendency to cut layers and reduce costs will continue. More integration.” (43c). He also sees integration in terms of ownership: “We would build alliances, and in due course own the operations ourselves. But this is a bit far fetched today” (68).

On the dyad level, this will have consequences for resource ties and activity links. For instance, he hopes to create new brands together with his customers: “We have a clear ambition to develop products together with them, train them, invite them over here, explain our procedures, in short have a much closer partnership. Also the large restaurant chains. We didn’t stand a chance doing this in the previous model. Too many layers to pass. In time perhaps create a brand for them, supply fish that is only theirs. We do that on other markets. Only then we can create a preference for Norwegian salmon in the market. Now a salmon is a salmon” (80).

In box E (why will it happen), the fear that customers may move elsewhere is a sensemaking device on dyad level explaining the move into other species: “This means that the importer needs to have a large product portfolio. And we mainly concentrate on salmon. This is a challenge for us. If we only supply salmon our customers might turn elsewhere. That is why we have broadened our strategy to include other species” (67).

He also has personal experiences from working at other export companies, and they all face the same challenges (sensemaking at actor level): “I now that Norway Salmon has decided to develop a relationship with a Japanese partner. But we have opted for a different model. I used to work there, and we had the same kind of discussions; shall we go with a Japanese partner or go ourselves? It may not create ownership and closeness to the market and there probably will be opportunistic behaviour. But it might work, or they will quit after a while” (83).

At network level, the respondent compares the Japanese market to other markets when describing the future changes: “We need to develop a broader range, not just in Japan. Peters in Belgium, who supply the large retail chains, have for instance over hundred products in their range. They import and they own their physical distribution. We haven’t
dared to do this in Japan. We would rather build alliances, and in due course we will own the operations ourselves. But this is a bit far fetched today” (70).

2) The fish market will remain, but with reduced influence

In box C, the respondent sees the fishmarket will change, but slowly: “If I am to be really honest, I don’t think the system will change that much from how it is today. The system is so extremely slow! I have worked with Japan now for 15 years, and there has hardly been a change” (43a). But eventually there will not be many traditional Japanese importers left (30).

Using sensemaking on the network level to explain these changes (box E) the respondent says that the fishmarket serves a purpose: “Wholesale markets serve a purpose, especially towards the restaurant chains. These are dependent on great product variety. It is difficult for a exporter to cater for all these needs. At the fish markets, the restaurants can choose from thousands of products. This means that the importer needs to have a large product portfolio” (69). Another reason for the slow changes is that things take time in Japan: “But this will take time. Japan is so far behind other markets. (81b) “But how far we have come in 5 years, that’s another question” (43b).

Having analysed the extended dottogram for Supreme Seafood Norway, an analysis of Supreme Seafood Japan’s dottograms follows.
### 7.2.3.2 Supreme Seafood Japan

#### 1. Direct distribution will increase
- Relationships will become closer over time
- Cooperation with retailers will increase in the future
- Large retailers will become even more powerful
- DIO will increase even more

#### 2. No. of small retailers will be reduced
- No. of small retailers will be reduced
- Supreme Seafood doesn’t want to sell to these small actors
- Smaller actors cannot pay for professional branding

#### 3. Fish market will remain, but reduced
- FM will remain
- FM will not disappear completely, but will be considerably reduced
- FM sales will be gradually reduced
- Will move from 50/50 to 60/40 (DIO 7)
- No. of wholesalers will be reduced to a couple of big ones
- No. of secondary wholesalers will be reduced
- Wholesalers are losing money

#### 4. Increased cooperation with new actors
- May face difficulties
- Secure consistent supply
- Secure stable prices
- Produce more value added products
- More firms
- More value added products
- More use of long-term contracts
- Cooperate with processors to target new customers
- Supreme Seafood is the largest 53
- Modern production techniques have made it easier to produce waste
- End users demand more easy products like filets
- Japanese kids like filets

### B

#### 1. More direct distribution
- Importers are more powerful now than in the FM system
- Change towards direct distribution
- Supreme Seafood gets higher prices selling directly to the supermarkets
- Move to DIO because of higher profits
- Too many layers are costly
- Small retailers are still dependent on the fish market

#### 2. Fish market still used
- Retail price is the same in FM and DIO
- Japanese culture mystifies the Japanese market
- Small retailers are still used
- Traditionalists are still used
- Still sets to Kaisatsu

### D

#### 1. Global competition
- Global competition

#### 2. Fish market still used
- FM still exists because many layers help sharing risks
- Fish market can be cheaper
Fig. 7.22: Supreme Seafood Japan’s extended dottogram

### 3. Merger between Rocky Coast, Supreme Seafood and Pan Fish

| - Supreme Seafood Japan sales strategy has changed because of the merger (45) |
| - Customers of Rocky Coast and Global Salmon came along after the merger (52) |
| - Rocky Coast customers left (31) |

| - Actors want to maintain contact with importer (41) |
| - Supreme Seafood believes that price is the same (63) |
| - Rocky Coast customers are biased towards their fish market |
| - Retailers are becoming more powerful |
| - New roles for distributors and processors |

### 4. More powerful retailers

| Importers are slaves to the retailers. Have to obey them (69) |
| Retailers are too strong (56) |
| Supermarkets are getting bigger (20) |
| Retailers are more powerful |
| Supermarkets are more concerned about quality |
| Retailers just want the fish cheaper |
| Supermarkets want to reduce costs |
| Retailers demand supply and price (19) |

### 5. New roles for processors and distributors

| Processors now account for half of direct distribution (30) |
| More promotion together with retailers (79) |
| Product adaptations such as fillets (10) |
| New works towards the big supermarkets (12) |
| Powerful retailers have consequences for power of the distributor (53) |
| Difficult to have contact with all customers directly (7) |
| Distributors use salmon to get into new markets (47) |
| He does not have own distribution (Carole Handels) (8) |
| Impossible for Supreme Seafood alone to process products (11) |

| Salmon is sometimes dumped if there is an oversupply (15) |
| Sold together with tuna (product range) which is more expensive (16) |
| Loss adaptations in terms of filleting. Only removes head and tail (31) |

### Boxes B and D: From “Then” to “Now”

Looking at boxes B (what is happening) and D (why is it happening) five issues emerge: 1) change towards more direct distribution, 2) The fishmarket is still used, 3) Merger between Supreme Seafood, Global Salmon and Rocky Coast, 4) Retailers are becoming more powerful, and 5) New roles for distributors and processors.
1) Change towards more direct distribution

In box B, the respondent describes how the network changes towards more direct distribution: “Traditionally, importers would sell to wholesalers at Tsukiji. Supermarkets and retailers would buy from middle wholesalers or distributors. Sometimes there would be a processor between the distributor and end user, and sometimes between middle seller and distributor. This is a very traditional sales channel, but now the trend is changing. Now importers and the wholesalers are trying to reduce the sale channels, having more direct contact with the end user. Some importers are actually selling the fish to directly the end user” (1). As a result, importers have established closer ties directly with the retailers, and importers have become more powerful (change at dyad level): “It used to be importer just selling to the wholesaler at the fish market, almost 100%. We could not control the price. But now we are talking with the end user and discussing long-time deals, three months to one year ahead and we are very close, actually” (54).

To explain these changes using box D, the respondent says that traditional distribution and its many layers are very costly (sensemaking at actor level): “As you know, there are so many layers in Japan, there are so many people working and that means lots of costs, and there is competition on a global scale. That’s why everybody tries to reduce distribution costs. That’s the trend“ (2). His reference to increased global competition here can also be seen as sensemaking at network level. Hence, direct distribution is considered more profitable (sensemaking at actor level): “We are going directly to the supermarkets where we can get higher price” (21), “As importer, if I sell to the wholesalers I maybe gain one percent. If I sell directly to the end user, I can get ten percent” (18).

2) The fishmarket is still used

Looking at box B, despite the trend towards more direct distribution the fishmarket is still used: “We sell 40% or 50% to the wholesaler level and the rest to what we call the downstream customers” (4). Karatsu, one of the largest wholesalers at Tsukiji is still a customer (91). To explain the persistence of traditional distribution, he uses sensemaking at actor level: Small retailers are still dependent on the fish market (28). Further, the fishmarket performs vital functions: Someone has to take the cost of filleting. At the fishmarket, secondary wholesalers perform this function: “At the fish market, the middle sellers process themselves at low cost. If we have are to do the filleting, we have to ask a re-processor, and they have to take their margin” (24). He also talks about the strong
cultural traditions of the fishmarket to explain its continued presence: “…that’s the mystery of the Japanese market” (23).

The respondent also uses sensemaking at network level to explain the persistence of the fish market system as more layers can divide costs between them: “Sometimes, if you import fresh fish at 1 000 yen per kilo, but then the end customer only pays 900 yen, I have to take 100 yen as a loss if I sell directly to end user. But if you have five layers, each one can take 20 yen each to share the loss” (22). For some actors, the fish market may actually be cheaper: “The fish market people don’t really care about the labour cost, so we can’t compete with them” (25).

3) The merger between Supreme Seafood, Global Salmon and Ford Seafood

In box B, the merger between these three companies represents a change at network level. Rocky Coast customers were used to buying directly from the producer in Norway, not from a Japanese subsidiary. Supreme Seafood Norway and Global Salmon Norway also practiced selling directly to some Japanese importers, whereas other customers bought their fish through the Japanese subsidiaries, Supreme Seafood Japan and Global Salmon Japan. Because of the merger, some customers left: “But for Rocky Coastsome customers actually left. They didn’t want to buy from us” (83) and some joined: “Some customers have actually joined us. Global Salmon Japan’s customers, even Rocky Coast customers” (82). The merger also created change at actor level as sales increased: “Actually after the merger actually our sales volume increased because the Global Salmon volume was joined “(81). Further, Supreme Seafood Japan had to change it sales strategy: “what we are doing now is trying to go to the end user, and its actually increasing” (90).

Using box D to explain these changes, customers who left as a result of the merger wanted to maintain current relationships with Supreme Seafood Norway. They wanted to buy directly from the source (sensemaking at actor level): “They don’t want to buy from us. They want to buy directly from Norway, or Chile. They think that if they buy from Supreme Seafood Japan, they buy from an importer. Actually, there is not very much difference in price between Norway and Japan, but they just don’t want to buy from a Japanese importer” (84)(85). These relationships were so strong that some of the old customers feared that they would loose staff if they broke their relationship: “They wanted to buy directly from Norway, otherwise they would lose some people” (87). Supreme
Seafood Japan tried to persuade these customers, but they didn’t want to continue their relationship (sensemaking at dyad level) “We tried to persuade them, but actually we couldn’t agree. We gave them better terms and lower price, so that it would mean almost the same to them. We even offered them to import by themselves, but they didn’t want to. Even when we offered them 10 yen lower price, they didn’t want to buy from us” (88). Clearly, the merger (change at network level) created some tension in the relationships between the importers and the Japanese subsidiary (change at actor level), and this may be seen as one of the reasons why the importers decided to terminate the relationship (change at actor level).

Supreme Seafood Japan actually anticipated that they would loose some of their customers (sensemaking at actor level): “we were actually expecting that” (89). They unwillingly adopted the new business model out of loyalty to the main office in Norway (sensemaking at actor level): “You either agree or you leave. We agreed...“. (89). The new sales strategy was implemented by the CEO of Supreme Seafood (95) and was partly based on a recommendation by McKinsey (94).

4) More powerful retailers
Using box B to explain changes at dyad level, the respondent describes the growing power of the Japanese retailers and supermarket chains: “but recently the supermarket retailers are getting bigger” (26) “I think in Japan retailers are too strong compared with other countries. They are definitely stronger than importers. I think it’s like 90% retailer and 10% us. I assume that wholesalers in Europe and supermarket buyers are more equal, like fifty-fifty because they work more as partners than in Japan. We have to obey whatever the supermarket chain says. We are slaves” (49, 50, 51).

To explain these changes (box D) the respondent uses several sensemaking devices at actor level: Firstly, the retailers are concerned about traceability: “The big supermarket chain are very concerned about the traceability system, and that’s one of the reason why we work with them directly” (30); secondly, they are becoming more quality conscious: “Recently the retailers are…really concerned about quality and material issues. That I think is reducing the layers” (27); thirdly, they are cost focused; “If they buy from distributors, through wholesalers and middle sellers, the price is higher. They want the price to be cheaper” (20), “We used to do adaptations like filleting, but not now. They just
want the fish cheaper” (32). Finally, they are concerned with stable supply and prices: “Because of their size, the large retailers need a stable and consistent supply. They are selling salmon at the same price through the year, and they need a certain volume to do that. This also means that they can demand a cheaper price”. (19).

An interesting point here is that the respondent believes that the powerbalance between retailers and buyers is more evenly balanced in Europe. Here he uses sensemaking device on network level as he contrasts the Japanese system with the European system.

5) New role for processors and distributors
In box B, the respondent describes several interesting changes at network level: Supreme Seafood Japan’s direct contact with large supermarket chains has led to creation of ties to new actors such as processors and distributors: “When we started our business with Aeon [one of Japan’s largest retail chains], we gave a presentation and everything. We gave them a price level, but they know and we know that we can’t handle the orders. We have to have someone else to handle the orders, so Aeon gave us information about distributors and recommended one. We contacted them and we got on well. Then we fixed the price and orders, and so on” (7); “There are many stores like Aeon in Japan. They cannot handle all distribution themselves, so that’s why the processors and distributors are taking care of this for them. It’s almost impossible to sell directly to Aeon; we have to have some cooperation with the processor” (9). More powerful retailers have also shifted power in favour towards the distributor: “The end user such as supermarkets are very powerful and power is getting down to the distributor” (53). As a result, Supreme Seafood now cooperates more closely with these new actors (change at dyad level): “Japanese retailers are looking for really good suppliers. The middlemen [processors and the distributors] often don’t know the product well. So we work with them and discuss terms and present our products. We work as a team. Our biggest customer in Japan is a processor, and they like to give presentation to the retailer by themselves” (12). The extended direct contact with retailers has an impact on relationship atmosphere in terms of cooperation and commitment (change at dyad level): “we are like a partner” (29); “We did a promotion with one of the customers, BCB. They are doing a campaign this month about salmon and we have cooperated in terms of promotions “ (78). Supreme Seafood has also made adaptations to retailers in terms of their production: “Aeon has many stores in Japan and they are very concerned about fillets” (10).
Box C and E: From “Now” to “future”

Turning to boxes C (what will happen) and E (why will it happen) four themes emerge: 1) Direct distribution will continue to grow, 2) The number of small retailers will be reduced, 3) The fish market will remain, but less powerful, and 4) Increased cooperation with new actors.

1) Direct distribution will continue to grow
This is a coming change at network level: “For us this means that direct sales with the end users will increase and sales to wholesalers will be reduced” (42). This trend will have an impact on customer relationships as ties will strengthen over time (change at dyad level): ” I think the relationship with the end user is much different from what it used to be ten years ago, and I think it is getting closer now” (56). Cooperation with large retailers will increase; “I think promotion activities will increase” (79). There will also be a shift in the powerbalance where large retailers will become even more powerful: “Supermarkets like Aeon are getting more power” (40).

2) The number of small retailers will be reduced
The emergence of large powerful retailers will have an adverse effect on the number of small retailers: “I think small supermarkets will go out of the business…” (39). This trend must be seen in relation to point no. 1 above. One of the reasons is that small retailers will face difficulties getting favourable treatment and access to resources from the large producers such as Supreme Seafood. The respondent believes that Supreme Seafood will not give priority to these small retailers (sensemaking at actor level): “We cannot sell to small retailers or small restaurant chains” (48). These actors also face difficulties because it is costly for them to pay for professional filleting (sensemaking at actor level): “The big chains have people, but smaller ones don’t want to pay like 2,000 yen per annum for professionals” (77). Another reason for the decline of small retailers is the fierce competition between retailers in Japan (sensemaking at network level): “I think the market system is changing. As you probably know, there are too many retail stores competing with each other. So they are struggling” (41).
The fishmarket will remain, but less powerful

In box C, the respondent indicates a trend where the fishmarket will lose some of its power, but will not disappear completely (change at network level): “Actually wholesaler sales are down year by year. It is shrinking”. (43), “Now its 50-50. In the future it will be 60, perhaps 70% direct distribution (58), “The fishmarket will not disappear completely, but it will not be as today with its 2,000 middle sellers (44), “The number of wholesalers is falling. There will be only two or three big wholesalers left in a couple of years” (45, 46). This will also have an impact on the number of secondary wholesalers (change at network level): “The number of middle sellers is around 2,000, but now it is shrinking” (45).

Turning to box E, why this is happening, the number of wholesalers will be reduced because they cannot make money (sensemaking at actor level): “…they cannot survive” (46). But smaller actors are dependent on it, and therefore it will persist (sensemaking at network level): “We still have to sell to the fishmarket. They are taking care of small customers” (59), “They will not disappear because there are many small supermarkets and small sushi restaurants in Japan. These are not member of a chain. The wholesalers are taking care of those businesses” (47).

4) Increased cooperation with new actors

As a future change at network level (box C), he wants to target new actors: “We are targeting not only Aeon but the other big retail chains. We are also selling to sushi restaurant chains; they have lots of stores in Japan” (65, 66). In fact, he uses his existing ties to actors (processors) to create these new ties: “We are dealing with them together with the processor and with the distributor “(67). To cater for the demands of these new type of customers, he will adapt his products in terms of more fillets and other type of value added products (change at dyad level): “Now the majority is fish with head, tail and bones. We are selling more fillets now, but the percentage is not so big. I think this percentage will increase (68, 69), “Filleting will be even more popular” (33). These new relationships will have consequences in terms of more commitment, trust and stability (change at dyad level): “The big supermarket chains prefer long-term contracts, because it means consistent supply and consistent pricing” (60, 61, 62).

Supreme Seafood is in a favourable position to support their customers and adapt to these changes (sensemaking at actor level): “…we can do that, we are the largest, we can
guarantee a stable supply” (63). But they will need to make some adaptations. For example, the changes will have consequences for their product range: “I think there will be more processed products” (34). Further, they may start filleting in Norway to reduce the cost of air freight: “What we can do to reduce the risk is to process as much as we can in Norway, to save costs on airfreight and labour” (36), “We can save the airfreight, and keep the good quality” (70). They may have to reduce their product range: “I think we have to pull out items from the shelf”: (35). Ultimately, they may have difficulties surviving: “…but if it gets back to the level of last year, we won’t be able to survive” (34).

Explaining these changes (box E), the respondent argues that large retailers don’t know how to handle fish (sensemaking at actor level): “I think this has been changing because the people working at the retailer or sushi chain don’t even know how to handle the fish. There are no professionals in the stores, so they want as many value-added products as possible”” (72). In fact, the young Japanese have little knowledge of seafood compared to the older generation (sensemaking at network level).: “In the kindergarten the kids don’t see the fish itself, so they think the fillets are swimming” (73) “Older people have the technique to fillet and slice, but this number is getting down” (74). It is easier for actors to buy fillets instead of filleting themselves (sensemaking at actor level):”Supermarket chains don’t know the technique to make the fillets, and that’s why the demand for fillets is increasing “(75).

Another reason for the increased demand for value added products is that fillets make it easier and cheaper for sushi restaurants to prepare food. Instead of slicing the whole fish, they can now use readymade fillets (sensemaking at actor level): “Sushi restaurant chains are also changing. Some sushi restaurants are hiring temporary people to reduce costs, and the number of professional workers is going down. It used to be really tough making fillets and slices. But now we can make a sushi by just putting a slice on the rice. Everybody can do it” (76). This way everyone saves costs: “At the same time we can reduce cost” (75).

Having analysed Supreme Seafood Japan’s extended dottogram, here follows an analysis of Karatsu’s Japan extended dottogram.
### 7.2.3.3 Karatsu

#### Fig. 7.23: Karatsu’s extended dottogram

**Boxes B and D: From “Then” to “Now”**

Looking at boxes B (what is happening) and D (why is it happening) four issues emerge:

1. Increasing direct distribution
2. The fish market is still important
3. Merger between Supreme Seafood, Global Salmon and Rocky Coast
4. Merger creates new ties

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<table>
<thead>
<tr>
<th>1. Increasing direct distribution</th>
<th>B</th>
<th>D</th>
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</thead>
<tbody>
<tr>
<td>More difficult for Karatsu to compete (5)</td>
<td>- Large retailers are increasingly buying directly (6)</td>
<td>- Japanese retailers not concerned about brand, only price and quality (4)</td>
</tr>
<tr>
<td></td>
<td>- Large volumes sold through wholesalers (5)</td>
<td>- Karatsu's reputation is becoming impaired after the merger (2)</td>
</tr>
<tr>
<td></td>
<td>- Volumes have increased (5)</td>
<td>- Difficult to forecast demand (26)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Difficult to get access to product information (25)</td>
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<td></td>
<td></td>
<td>- Difficult to get access to product information - Karatsu's reputation is becoming impaired after the merger (21)</td>
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<table>
<thead>
<tr>
<th>2. Fish market is still important</th>
<th>B</th>
<th>D</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>- Retailers adds variety, lower prices</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Retailers to access wholesalers (3)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Secondary wholesalers can find lower prices than Karatsu (2)</td>
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</tbody>
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<table>
<thead>
<tr>
<th>3. Merger between Supreme Seafood, Global Salmon and Rocky Coast</th>
<th>B</th>
<th>D</th>
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<tr>
<td></td>
<td></td>
<td>- Karatsu's market share will decrease (2)</td>
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<td>- Karatsu's market share will decrease (2)</td>
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<table>
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<th>4. Merger creates new ties</th>
<th>B</th>
<th>D</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>- Supreme Seafood Japan has new customers (25)</td>
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<tr>
<td></td>
<td></td>
<td>- Karatsu's market share will decrease (2)</td>
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<td>- Karatsu's market share will decrease (2)</td>
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1) Increasing direct distribution

In box B, the respondents point to changes at network level. Large retailers are increasingly buying directly: “Small-sized retailers can buy some small volumes from the middle wholesalers or Karatsu, but the final customer [large retailer] has to have some big-sized order volume from Norway” (5), “Usually the biggest one, like the Wal-Mart in America do not use Karatsu for their supplies, because they buy directly buy from Norway or directly from another importer.” (3a). As a consequence, less volume is sold through the traditional wholesalers And it is increasingly difficult for Karatsu to compete (change at actor level): “For supermarkets it doesn’t matter so much, but for Karatsu I think it’s a very competitive market situation” (7). Facing these challenges, Karatsu is also increasingly selling directly to retailers. 10 percent of their sales are directly to retail customers: “90 per cent of our volume is through the middle wholesalers and the remaining 10 percent is direct sales to the final customer. These are small-sized companies, small-sized restaurants in the Tokyo area” (B5).

Turning to box D, why this is happening, the respondent holds that retailers need to save costs: “For them the profit is not so much as they expected, and it’s not good business for them” (8a). Japanese retailers are very cost-focused (sensemaking at actor level): “The retailers do not care about the brand…they only care about the price or cost” (44). One way to save cost is to buy directly from Karatsu, because this is cheaper for the retailer (sensemaking at dyad level):” If the customer has a contract with Karatsu and they like to buy directly from Karatsu, they can have some price advantage against buying from middle wholesalers” (3c). Finally, direct distribution is increasing because the Japanese market demands cheaper products (sensemaking at network level): “Actually the final customer like Tesco and big-sized supermarket have to reduce their selling price towards their final customers [end users]” (8), and because the Japanese economy in decline: “…the economic [situation] in Japan is not so good” (43).

2) The fish market is still important

In box B, the respondent talks about the stability of the fish market. Still, 90 percent of his distribution is through middle-wholesalers at the fishmarket (see quote above).

Using box D, one of the reasons for the continued presence of the fishmarket, is that it performs distinct functions (sensemaking at dyad level). The fishmarket ensures variety,
and this is important to the retailers. At the fishmarket, they can buy from a wide range of secondary wholesalers: “Usually the final customers [retailers] have to buy a lot of fish, not just fresh salmon. They prefer to buy from middle wholesalers because Karatsu cannot supply them a great variety in small volumes. Usually the final customer has their own delivery system, and they have their own trucks. So they come here with their car and they just buy their food from the middle wholesalers, and they take it to its final destinations” (3). The fishmarket also ensures freshness, as the secondary wholesalers are open for business longer hours compared to the primary wholesalers. Thereby restaurants and retailers get their supplies of fresh fish throughout the day: “Another reason for using the middle wholesaler, is that we as a primary wholesalers start our business early in the morning, around 2 AM, and we close our office earlier than the rest of the market. This means we cannot deliver ourselves to the final destination, and that’s why we use intermediate wholesalers. They can keep the fish fresh longer than we can” (4).

3) Merger between Supreme Seafood, Global Salmon and Rocky Coast
The merger between these three suppliers has had an impact on the relationship between Karatsu and their Norwegian suppliers, and on the wider network. Karatsu has given this a lot of attention: “…this March Supreme Seafood, I mean Global Salmon vanished, and so their business started to change by this year” (23). It implied that Karatsu now has to buy from Supreme Seafood Japan (change at network level): “Supreme Seafood just merged everything and [set up] their own sales division here and even Karatsu cannot buy from directly from Norway anymore. We have to call Supreme Seafood Japan. (1).

Karatsu disapproves of new business model: “For example, Global Salmon changed their price every week according to the market situation. But Supreme Seafood has changed their business strategy. They say we must do business with Supreme Seafood Japan, and we have to settle prices together with them” (24).

Thus, this move by Supreme Seafood has had a considerable impact on actor bonds. The relationship between Karatsu and Supreme Seafoods has become strained after the merger: “The problem is, as an importer we would like to talk with the supplier directly to get the information” (21). The powerbalance has changed in favour of Supreme Seafood: “My personal opinion is it’s good for Norway and salmon products companies, but it’s not good for Japanese company, because they lose their power to negotiate (2). The merger has also
created changes in resource ties. Karatsu now finds it more difficult to get information about market trends and prices from Supreme Seafood: “And, also in the past few years they have given us very quick response, market information, price, etc. But Supreme Seafood Japan, they never do these things” (26). “It is difficult to get the information directly from Norway, and its difficult to read the trends” (25). As a result, the volumes traded in the relationship are down, and they will remain low: “We have started to buy less from Supreme Seafood. Our orders are down 30 percent and they will remain at this level” (30). Describing the downturn in volumes, he says that “Karatsu was buying almost 300 cases at one time and we had good margins. But now we have started thinking about our profits, so we just buy 150 boxes every time. It’s totally different from two years ago” (14). Ultimately, Karatsu is now looking for an exit in the relationship: “So we prefer to have relationship with another supplier” (22).

In box D, why this is happening, the respondent argues that Karatsu needs to save costs and focus on profits (sensemaking at dyad level): “Currently we are already thinking about our profit at the same time” (17). Concerning the lack of information about costs and trends, he believes that Supreme Seafood Japan themselves have difficulties getting access to information: “And I think Supreme Seafood Japan do not have the detailed information themselves” (29).

4) Merger creates new ties
Further on the consequences of the merger, Karatsu and other wholesalers are shifting their demand to other Norwegian suppliers (change at network level): “There has there been shift in supply from other Norwegian exporters such as Vollstad” (33) and Supreme Seafood Japan is believed to be loosing customers: “And as I know that some importers have stopped buying from them” (27).

In box D, why this is happening, the respondent says that a main reason for this move is that Supreme Seafood is now seen as a threat to Karatsu: “After the merger Karatsu prefers other suppliers, because Supreme Seafood has become our biggest competitor, the market leader, because they know our market here well” (22a).
Box C and E: From “Now” to “Future”

Turning to boxes C (what will happen) and E (why will it happen) three themes emerge: 1) The future of the fish market, 2) Supreme Seafood will face difficulties in Japan, and 3) Retailers will have difficulties:

1) Future of the fish market
In box C, what will happen, the respondent doesn’t think that the fish market will change that dramatically: “From my experience from the last years and many times before... I think, this distribution system is the same in five years..” (9). His position will be largely unchanged: “But we at Karatsu have a long history with our local customers so it’s very easy. We have some advantage against the other importers because of this”. (20b). However, Karatsu will lose some customers: “As for the future of the market, the number of customers now buying from Karatsu directly is decreasing” (4).

Turning to box C, explaining these changes (or rather describing the stability of the fish market) he believes that Karatsu’s long relationship and strong commitment to his business partners will not jeopardize his relationships overnight (sensemaking on dyad level): “In Japan we have traditions. We have a very, very long-term business relationship with Global Salmon and Supreme Seafood, so we will not stop the businesses soon. We will continue, but just reduce the quantity” (32).

2) Supreme Seafood will have problems surviving in Japan
In box C, the respondent is concerned with the future for Supreme Seafood in Japan (change at network level): “I think Supreme Seafood… will one day no longer exist” (34), “…to be frank, we are worried about the future of Supreme Seafood Japan” (35). He believes that Supreme Seafood may try to move into other product areas in an attempt to improve their position (change at dyad level): “I’ve heard that their main aim is to farm Kampach, a kind of yellow tail, at their other fish farm in Western Japan. From last year, this business has come down. I’ve heard they are in a very difficult situation. Fresh salmon is not their main business anymore” (38, 39).

Why does he claim this? If we look at box E, why this will happen, he says that Supreme Seafood does not make much profit today (sensemaking at actor level): “they are not making a lot of profit in Japan market” (38) and they are in difficult position because they
have changed their strategy too often: “You know, Global Salmon and Supreme Seafood have changed so much in one year” (36, 37).

3) Retailers will have difficulties

In box E, the respondent believes that even Japanese supermarkets will face increasing difficulties. Some will go out of business and some may merge (change at network level): “Regarding the big-sized supermarkets, they have a really, really hard competition. Some companies may go away, and the number of the supermarkets will decrease to maybe five or ten. Like there’s gonna be a merger of some kind” (10). He uses sensemaking at actor level to explain this as supermarkets have difficulties earning a profit today: “the supermarket also have very difficult time to get profit. There is a recession” (13a). He refers to several megatrends at the Japanese market when explaining this change (sensemaking at network level): Firstly, there is fierce competition between supermarkets in japan, (see 10 above); secondly, Japanese market is suffering deflation (12); and finally customer buying power is low: “Other countries have faced some inflation about the fish product, but especially the Japanese market has been facing a deflation for the seafood market” (13).

Having analysed Supreme Seafood Japan’s extended dottogram, here follows an analysis of the first secondary wholesaler’s extended dottogram.

7.2.3.4 Secondary wholesaler (1)

Fig. 7.24: Secondary wholesaler (1)’s extended dottogram.

Boxes B, C, D and E:

Two brief interviews with secondary wholesalers were undertaken. Due to the limited information provided, the changes are not themed and numbered.
In box B, the first wholesaler points at the change towards direct distribution at network level: “…it’s very difficult because of other companies dealing with the same fish, outside the [Tsukiji]”. The respondent says that the fishmarket has lost its importance: ”Long time ago there were many advantages selling the fish in the fishmarket market, but now there’s no advantage for the fish market”.

In box D, why this is happening, he refers to the growing competition between the secondary wholesalers and low margins as a reason for this trend: ”Now there’s many buyers and the price of buying the fish almost same as the selling price to the customer”.

This has put him in a troublesome position (change at actor level): ”There are so many customers who buy the fish directly from the wholesalers, so it’s very difficult for me to deal with this kind of competition”, ”There’s no advantage for me”.

In box D, he has a rather pessimistic outlook: “My expectations are that in 5 years time I may have to close down”.

**7.2.3.5 Secondary wholesaler (2)**

![Extended Dottogram](image)

**Boxes B, C, D and E:**

In box B, the other secondary wholesaler has even fewer comments. On the network level, he describes growing direct distribution: “For a long time my customers have bought directly from Karatsu…”. In box B, he has little explanations to why this is happening: “I can’t answer the question because it’s very difficult. There are so many factors that affect this market system”. One of the reasons for this insecurity is that Tsukiji will move to another location: “We are planning to move to another place, so it’s hard to say.”
Having analysed the extended dottograms for the actors, here follows an intra-case analysis of Case 2.

7.2.4 Intra-case analysis of Case 2

7.2.4.1 Comparing the templates (Current changes: boxes B and D)

Table 7.5 shows a thematic analysis of the issues identified in the extended dottograms:

<table>
<thead>
<tr>
<th>Boxes B and D</th>
<th>Supreme Seafood Norway</th>
<th>Supreme Seafood Japan</th>
<th>Karatsu</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondents:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common themes:</td>
<td>Direct distribution is increasing</td>
<td>Change towards more direct distribution</td>
<td>Increasing direct distribution</td>
</tr>
<tr>
<td>1) Direct distribution is increasing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2) The fish market is still important.</td>
<td>Still dependent on the fish market</td>
<td>The fish market is still used</td>
<td>The fish market is still important</td>
</tr>
<tr>
<td>3) Merger between Supreme Seafood, Global Salmon and Rocky Coast,</td>
<td>Merger between Global Salmon, Supreme Seafood and Rocky Coast</td>
<td>Merger between Supreme Seafood, Global Salmon and Rocky Coast</td>
<td>Merger between Supreme Seafood, Global Salmon and Rocky Coast, Merger creates new ties</td>
</tr>
<tr>
<td>4) New structure creates conflict/New ties created after the merger</td>
<td>New structure creates conflict</td>
<td>New ties created after merger</td>
<td></td>
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<tr>
<td>5) Increasing retail power/new roles for processors and distributors</td>
<td>Increasing retailer power</td>
<td>Retailers are becoming more powerful</td>
<td>New roles for distributors and processors.</td>
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<td>6) Improved network position.</td>
<td>Improved network position</td>
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<tr>
<td>Other themes:</td>
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Table 7.5: Comparing themes across respondents in Case 2

From this table, it appears that there are six issues where similar themes are discussed by the respondents: 1) Direct distribution is increasing, 2) The fish market is still important,
3) Merger between Supreme Seafood, Global Salmon and Rocky Coast, 4) New structure creates conflict/New ties created after the merger, 5) Increasing retail power/new roles for processors and distributors and 6) Improved network position.

1) Direct distribution is increasing
All five respondents talk about the increasing direct distribution at network level. Supreme Seafood Norway mentions this three times. Supreme Seafood Japan also mentions the general change towards direct distribution, and Karatsu refers to increasing direct distribution in terms of retailers buying directly from exporters and less volume sold through traditional wholesalers. But he also talks about increasing direct distribution in terms of retailers buying directly from them and not from the secondary wholesalers at the fish market. Even the two secondary wholesalers, with their limited opinions on changes in distribution, mention this point. As a consequence, Supreme Seafood Japan sees a change in the powerbalance between importers and wholesalers in favour of the importers. Karatsu touches upon this when he says that it is increasingly hard to compete. One of the secondary wholesalers talks about this new reality as he finds it increasingly difficult to get profits, and even to survive.

Supreme Seafood Japan, Supreme Seafood Norway and Karatsu seem to have similar perceptions regarding why these changes are occurring, but they differ in terms of levels of explanation. Supreme Seafood Norway only refers to changes at actor level, Supreme Seafood Japan largely refers to sensemaking on dyad level, whereas Karatsu’s view is more balanced between the three levels. Supreme Seafood Norway for instance refers to the ineffectiveness of traditional markets as one of the reasons. They also feel that Japanese wholesalers are too expensive and secondary wholesalers are too small to handle the large volumes demanded by direct distribution, i.e. they have a network perspective. Supreme Seafood Japan sees direct distribution from an actor perspective as Supreme Seafood gets higher profits selling directly. Karatsu mentions a similar argument as retailers are only interested in price (actor perspective) and they get cheaper products buying directly (dyad perspective). Karatsu moreover refers to the general decline of the Japanese economy as a reason (network perspective). Similar explanations at network level are also mentioned by Supreme Seafood Japan (increasing global competition).
2) The fish market is still important

Supreme Seafood Norway, Supreme Seafood Japan and Karatsu have similar perceptions on the continued presence of the fish market. Supreme Seafood Norway and Supreme Seafood Japan describe how they are still dependent of the fishmarket for their sales. Supreme Seafood Japan for instance has 50% of their sales to wholesalers at the fishmarket, and Karatsu is one of the major customers. Why is this so? Here the respondents use sensemaking at actor level to explain but they do it from different perspectives: Supreme Seafood Norway talks about the importer as MH is yet not big enough yet to completely bypass the fishmarket. Supreme Seafood Japan and Karatsu talks about the secondary wholesalers and the vital functions they perform filleting and longer opening hours. Karatsu and Supreme Seafood Japan talks about the retailers and their demand for a varied product range, which is ensured by the fish market. The persistence of the fish market is also explained at the network level. Supreme Seafood Norway sees that it has some important functions, but needs improvement. Supreme Seafood Japan holds that it may actually be cheaper when many layers share costs. In fact, for smaller volumes the fish market can be cheaper.

Interestingly, Supreme Seafood Japan refers to the “mystery” of the Japanese culture when discussing the persistence of the fish market (sensemaking at actor level). This perspective is not touched upon by the other respondents, but was mentioned by several of the respondents in the initial study (see relevant chapter).

3) Merger between Supreme Seafood, Global Salmon and Rocky Coast

This merger is the centre of attention in the interviews with Supreme Seafood Norway and Supreme Seafood Japan, and to some extent Karatsu. It is not discussed at all by the secondary wholesalers. The three respondents all have strong views on this network change, but there are strong differences in how they perceive it. Supreme Seafood Norway talks about the merger out of a wish to improve their position on the Japanese market, and they were the one who initiated this move in the first place. Supreme Seafood Japan is concerned with the consequences this merger has for their position, and is more on the receptive end of this decision. Karatsu also talk mainly about the merger in terms of its consequences for them. The actors explain the need for the merger from quite different viewpoints.
The merger meant that Supreme Seafood Japan replaced traditional Japanese importers. Wholesalers like Karatsu, being used to buying directly from Norway, now had to buy from a Japanese company. Supreme Seafood Norway and Supreme Seafood Japan both say that sales at first took a downturn, but have now increased. As for Karatsu, the merger has meant that they have reduced their orders from Supreme Seafood, and they now look for an exit. This is happening because the merger has created tension and conflict in the relationship between Supreme Seafood Norway/Supreme Seafood Japan and Karatsu. Karatsu resent having to deal with a Japanese subsidiary. The merger means that Karatsu no longer has access to resources such as product and market information and they have lost some of their power in the relationship. But for Supreme Seafood Norway and Supreme Seafood Japan the merger means increased business and strengthened ties to other actors such as large retailers. The interviews with Supreme Seafood Norway and Supreme Seafood Japan also show that this was a calculated move; they knew that the distribution strategy would be protested by the traditional Japanese customers. This will be further dealt with in the section below.

Explaining the merger, both Supreme Seafood Norway and Supreme Seafood Japan use sensemaking at actor level. Supreme Seafood Norway also refer to the network level here whereas Karatsu do not offer much insight. Apparently, Karatsu is more concerned with the consequences of the merger than the reasons behind it. Supreme Seafood Norway refer to an internal “fight” between Supreme Seafood, Rocky Coast and Global Salmon over which distribution system to favour. This disagreement may also be seen as three competing network pictures where one picture becomes the dominant one. In this case, Supreme Seafood won. As a result the manager for Japan sales at Rocky Coast, clearly in opposition to the new strategy, left the company. The respondent at Supreme Seafood Japan was also half-hearted, but he did not want to oppose the orders given by the main office in Norway. The network picture which Supreme Seafood presented in the end, resembled European type distribution, and was favoured by top management and McKinsey. One may suspect that these people are influenced by micro-economic theory and supply chain management practices currently in favour in “Western” business management theory. Supreme Seafood Norway also points at their size as a reason for their actions; they were so big they had to act according to size (noblesse oblige…). This may also explain the strong self-determination to go ahead with the new strategy despite
customer protests. Supreme Seafood are so large that it is difficult not to have some kind of relationship with them.

Supreme Seafood Norway also has strong views about the merger on network level. Not surprising really, as they initiated it. The respondent mainly argues that the old structure is ineffective and costly and it prohibits the flow of information between Supreme Seafood Norway and the retail level. Conversely, Karatsu see this structure as a guarantee that they would receive information from the producer in Norway. As such, this can also be seen as a fight over access to resources; both Karatsu and Supreme Seafood Norway wants information and tries to get in a position where they can obtain it.

4) New structure creates conflict/New ties created after the merger

The decision to force the Japanese customers to use the joint Japanese subsidiary was taken by Supreme Seafood Norway, and Supreme Seafood Japan had to accept it. At first Supreme Seafood Norway/Supreme Seafood Japan tried to persuade their customers to adopt the new strategy. This succeeded only to some extent, and some customers left. They felt that Supreme Seafood Japan became a competitor and a threat, and they feared monopolistic pricing. Still, Supreme Seafood went ahead with the decision, and in their terms they have succeeded (sales are up as described above). But for the Japanese customers, this was seen as a brutal display of power, quite unheard of in Japan business practice. Several of Karatsu’s responses indicate this. As a consequence, Karatsu and other Japanese customers have swapped to other Norwegian suppliers. This is also acknowledged by the Supreme Seafood Norway’s respondent. But Supreme Seafood Norway is quite easy about this, as the move has enabled them to create new ties to retailers and access to other resources (see next section). This may explain why the sales are up in total.

This can be seen as a fight over network pictures. Supreme Seafood Norway tried to persuade their business partners into believing that their new business model would be beneficial. But these partners did not share Supreme Seafood’s view of the world and left the network. Supreme Seafood still managed to create change by sheer use of force.
5) Increasing retail power/new roles for processors and distributors

Even though the merger has created conflict between Supreme Seafood and the traditional wholesalers, it has opened up for increased cooperation directly with the large retailers. Both Supreme Seafood Norway and Supreme Seafood Norway describes actor bonds in terms of improved communication, joint promotion activities, product adaptations such as filleting, long term commitment and increased volumes. Supreme Seafood Japan sees growing retail power more negatively; the respondent speaks about the suppliers being slaves to the retailers, and retailers are too powerful. This may have to do with the fact that this respondent deals with the retailers on a day to day basis and obviously feels the pressure, whereas the Supreme Seafood Norway respondent is based in Norway and has a more remote relationship with the retailers. Both respondents refer to sensemaking device on the actor level to explain this development arguing that retailers are increasingly concerned with traceability, product quality and lower costs. This is better achieved with direct distribution. Supreme Seafood Norway additionally explains this change from a strategy point of view as they deliberately wanted to become closer to the retailer. They also had an ambition to reduce their product portfolio.

Strengthened cooperation with the retailers has resulted in new actors entering the network. For instance, Supreme Seafood had to find a new processor in Japan because the retailers demanded product adaptations in terms of fillets and Supreme Seafood does not have the capacity to do this. Supreme Seafood also established a relationship with a new distributor because retailers cannot handle large volumes themselves.

6) Improved network position

Supreme Seafood Norway is the only respondent which uses the words positioning when discussing this network change, but the other actors do it unconsciously. Having creating a new business model in Japan, Supreme Seafood now find themselves in an improved position vs. the retailers. They can now target the large supply chains directly. This was a deliberate move, they wanted work with another type of processors and they wanted to speed up the process. The other two respondents do not discuss network position as such. But looking at the content in the other headings above, it appears that Supreme Seafood Norway is quite positive about the process, Supreme Seafood Japan is doubtful, and Karatsu is negative. Not surprisingly, Supreme Seafood Norway was the actor which initiated this move, Supreme Seafood Japan has to cope with it and Karatsu is the one who
is loosing out. When explaining the move towards more integrated distribution, the three actors refer to the same sensemaking devices, i.e. increasing retail power and the need to save costs, but Supreme Seafood Norway is the actor which takes the most decisive action based on these perceptions. Supreme Seafood’s new Japanese business model is a direct consequence of these actions. Karatsu also sees increasing direct distribution as a threat, and tries to create a better position by selling smaller volumes directly to the retailers. But by and large they are tangled up in their web of actors represented by the fish market, and they have to comply with the situation. One possibility for them is to adopt a totally different strategy, but this will not be in line with their position as the largest wholesaler at Tsukiji. The interviews does not indicate either that they have such plans. However, the whole Tsukiji fish market is moving to new and modern premises outside Tokyo. This is done partly as a response to increasing direct distribution. The move enables the wholesalers to offer new facilities to the retailers, such as improved processing and storage facilities. This is briefly commented on by the secondary wholesalers above. Thus, the fishmarket is also trying to improve its position by creating new resource ties and activity links to the retailers, i.e. their change is largely a change within existing relationships, whereas Supreme Seafood tries to change the entire network.

**Comparing the templates (Future changes: boxes E and E)**

There are two issues where similar perceptions are discussed by the respondents: 1) Direct distribution will continue to increase and 2) The fish market will remain.

1) *Direct distribution will continue to increase*

Supreme Seafood Norway and Supreme Seafood Japan have similar perceptions regarding the increase of direct distribution. They both believe that they will be further integrated with the large retailers and restaurants. Examples of this are joint product developments, product adaptations, and branding. Supreme Seafood Norway even anticipates that they will be involved in terms of ownership of distributors and processors. Further, Supreme Seafood Japan sees more integration with other actors such as processors. Supreme Seafood Norway base their view on their experience with other markets and discussions with other Norwegian exporters, whereas Supreme Seafood Japan seems to argue from a more direct experience with Japanese retailers. Supreme Seafood Japan for instance claims that small retailers will go out of business because there is already too many retailers and heavy competition in Japan. This will make large retailers even more
powerful. Supreme Seafood Japan also has in-depth knowledge of Japanese consumers. For instance, the respondent explains that there is a growing demand for ready made fillets in Japan. Supreme Seafood Norway does not seem to be as concerned with increasing retail power, they are more concerned with how they can improve existing relationships, and sees the retailers as equal partners. Again, this may seem to reflect that Supreme Seafood Norway has a more “distant” position to the Japanese market, whereas Supreme Seafood Japan has to deal with the retailers on a daily basis and feels the pressure. This pressure will increase, they believe. Karatsu also talks about changes in the retail structure. Fierce competition, low consumers buying power and a continued recession will force some supermarkets out of business.

Supreme Seafood Japan talks about future integration with Supreme Seafood Norway in terms of filleting in Norway. This will save airfreight costs. This is not picked up by Supreme Seafood Norway. Supreme Seafood Norway generally has a positive outlook of the Japanese market. Supreme Seafood Japan is perhaps a bit more pessimistic. The respondent at one point says that Supreme Seafood Japan may have to go out of business. Perhaps the strongest predictions are made by Karatsu. As seen in the above analysis, Karatsu has suffered in the relationship with Supreme Seafood, and has turned to other Norwegian suppliers to top volumes. They are quite cross when it comes to the future of Supreme Seafood in Japan. The respondent is worried about them; he thinks that Supreme Seafood Japan has stirred up so much that they will face difficulties surviving in the Japanese market. He knows that they are not making profits today and he believes that Supreme Seafood will be forced to move into other more profitable products areas, such as yellow tail. Supreme Seafood Norway also talks about the need to develop new products. Here, the perceptions are similar. But one cannot refrain from suggesting that the main differences in perceptions here are that one actor (Supreme Seafood Norway) initiates a change which another actor has to cope with (Supreme Seafood Japan), and which has serious consequences for a third actor (Karatsu). These three basic stances are heavily reflected in the respondents’ perceptions on change in this case.

2) The fish market will remain
Supreme Seafood Norway, Supreme Seafood Japan and Karatsu do not believe that the fish market will disappear completely, but its influence will be reduced and volumes traded there will be down. All three respondents believe that some large wholesalers will
disappear. Karatsu does not believe that they will be among these. But he will lose some of his customers even though he has strong relationships with them. Similar concerns are voiced by the secondary wholesalers reported above. One of these believed that he may have to go out of business because he hardly made profits anymore. Supreme Seafood Norway reverts to sensemaking devices on the network level when arguing the fishmarkets position; he claims that changes are slow in Japan. Supreme Seafood Japan has similar arguments when he says that small restaurants and retailers are still dependent on the fishmarket and the fishmarket ensures variety.

7.2.4.2 Brief concluding comments
This analysis suggests that actors try to change the network in order to access resources. If we consider information as a resource, actors such as retailers want to have information about traceability and product quality, whereas exporters want information about market trends. The fish market is viewed as barring this information, and they seek to change the network around by effectively bypassing it. The fish market on the other hand use network picture to argue the advantages of its functions, resisting change.

It appears that one way of creating network change is the use of force. Supreme Seafood used their position as market leader to force through changes upon the rest of the network. Other actors were asked to either buy in to their network picture, or leave the network. This was also evident from the internal discussions with Supreme Seafood, and between Rocky Coast and Supreme Seafood before the merger. Personnel in opposition to the new distribution strategy left the company, as did some of the customers. This suggests that there needs to be some alignment or amalgamation of network pictures for change to take place.

Having analysed Case 2, here follows and analysis of Case 3 using Model 4.
7.3 Case 3 -A direct distribution network

A brief description of the actors:

Export: Supreme Seafood Norway
See case 2 for a detailed presentation

Importer: Supreme Seafood Japan.
See case 2 for a detailed presentation

Retailer: BCB
BCB is the mother company of 200 retail companies and 3000 stores representing one of Japan's largest retail chains. Their turnover is an impressive 3 trillion yen. This accounts for 14% of food consumption in Japan. They trade under a variety of names depending on
the geographical area. The respondent interviewed is responsible for 20% of the purchases made by this retail chain.

BCB buy all their fresh salmon from Supreme Seafood at stable volumes. They buy some smoked salmon from another Norwegian exporter, Coast Seafood. Norwegian salmon volumes are small (3-5%) compared to Chilean salmon (60 – 67%). BCB also sell considerable volumes of Japanese salmon (15 – 15%) and US salmon (20%). The volume of US salmon is very high. Probed on this question the respondent maintains that it is actually US salmon, not Canadian. (This seems somewhat strange, but it might actually be Chilean salmon sold to Japan through American importers. This is done for instance by Supreme Seafood in Chile.)

7.3.1 Description of present network

At the airport:
The distribution of the fish is identical to the process described in case 2 up to the point where the fish leaves the customs clearance facility at Narita Airport (pictures 7.35 and 7.36). Instead of being taken to the Tsukiji, the fish is transported to BCB’s distribution centre.

At the distribution centre:
Here the fish is re-packed and then sent off to the various supermarkets or to a processor. The processor in this case has been selected by BCB and not by Supreme Seafood Japan. All the fish sold to BCB is filleted by Supreme Seafood in Norway, and the processors task is to make smaller portions depending on the need of the supermarkets.

Picture 7.35: Fresh fillets just arrived at Narita
At the retailer:

After being processed the fish is distributed to the various retail outlets of BCB. Some supermarkets will process the fish themselves, making ready-made sashimi-cuts or lunchboxes.

BCB and Supreme Seafood engage in sales promotions together with NSEC, very similar to the sales promotion activities featured in case 1 (picture 7.37). However, Supreme Seafood do not participate in the campaigns to the same extent as Bluewater Trading, the Japanese importer presented in Case 1. Promotion activities between Bluewater Trading, NSEC and Supreme Seafood are done on average once a year, normally in the autumn. At the time of the interview, the campaign had just finished. The respondent at BCB explains that Supreme Seafood cooperates in the campaign by securing stable supply of salmon. Supreme Seafood also contributes financially by hiring people which demonstrates the salmon, handing out product samples and recipes.
BCB has introduced other promotional activities to increase salmon sales in their outlets. For instance, they have produced a colorful brochure with 365 recipes describing how salmon can be used for various dishes, not only traditional sushi (pictures 7.38 and 7.39). They encourage customers to produce their own recipes, which they will print. The launch of this brochure coincided with the sales campaign aided by NSEC.
Japanese customers are mainly concerned with quality and price. According to the retailer, the Japanese consumers are not that concerned with country of origin or producer, as long as it is fresh. The customers are more accustomed to categories such as fresh/frozen vs. salted/unsalted.

But some customers are wary about the country of origin, and are willing to pay more for expensive Norwegian salmon. The respondent at BCB reckons that this segment represents around 20% of their customer base and is considered a high-end segment.

Norwegian salmon is sold at 298 yen/100g (picture 7.41). Chilean salmon trout is sold at 198 yen/100g (picture 7.40) and Japanese salmon is sold at 128 yen/100g (picture 7.41). The Japanese salmon is wild caught Chum salmon from the Japanese island of Hokkaido. One would assume that wild caught salmon would be more expensive, but since it is wild it contains parasites, and it can't be used for sushi, only for frying. Hence the price difference. “It is smelly”, says the respondent.
To cater for growing awareness about traceability, BCB has introduced its own safety standard called “Nature Trace” (picture 7.42). They use this label for several food items, not only salmon. This ensures the customers that the retailer knows the origin of the salmon. By Japanese law, county of origin must be displayed on the package label, but the
name of the producer is not required. Nevertheless, their salmon labels say that the salmon is produced by “The world’s biggest salmon producer”, although it does not mention Supreme Seafood by name.

Characteristics of the network: Strong commitment but fragile resource ties

This relationship is marked by a strong commitment. An obvious example is the promotion activities where Supreme Seafood, BCB and the Norwegian Seafood Export Council cooperate to create in-store campaigns. More profound investments in the relationships are also evident. BCB buys all their salmon from Supreme Seafood. The relationship with Supreme Seafood was established four years ago. BCB wanted to have a supplier that could deliver fillets because airfreight of gutted fish was getting increasingly expensive. BCB buy other fish from the fishmarket, but they have never bought salmon from this system, only directly from importers. BCB is Supreme Seafood’s largest retail customer and their 5th largest customer in general. Their three largest customers are all processors, and their 4th largest customer is the fish market. Second to BCB is another retail giant in Japan, AEON.
However, the merger between Global Salmon, Supreme Seafood and Rocky Coast represents a strain to this commitment. BCB had already established a relationship with Supreme Seafood at the time of the merger. After the merger they feel that Supreme Seafood’s way of thinking have changed. The respondent says that it was a small company that bought a large company, and now it is more difficult to secure stable prices.

At present, there is unanimity regarding location of activities and transformation of resources. Supreme Seafood fillets the fish for BCB in Norway, and the parties save money on airfreight. BCB use some of their own distributors to further process the fish depending on local market conditions and consumer preferences. But the case also illustrates that resource ties are fragile because frozen Chilean salmon is a potential treat to fresh Norwegian salmon. Norwegian salmon is seen as too expensive. BCB sell fresh salmon at 258 yen/100 g and Chilean frozen salmon at 100 yen/100 g. But they make more profit on the Chilean salmon.

The strong commitment between the parties may however act as a barrier to entry for other producers. BCB is determined to increase the volume of fresh salmon by working even closer with Supreme Seafood and engage in more sales promotion activities, because BCB believes that fresh salmon represents a growing high-end market preoccupied with food quality and safety.

Having described the present network, changes apparent from the in-depth interviews will now be analysed using the initial dotograms.
7.3.2 Analysing changes using the initial dottogram: BCB

In this case only BCB’s dottogram is analysed. Supreme Seafood Norway and Japan were included when describing the present network in the preceding section here in Case 3, but their dottograms were analysed previously in Case 2.

This respondent is mainly concerned with changes taking place “here and now”, i.e. box B, mainly to do with the relationships to his closest business partners which in this case are his supplier. He also talks about future changes, but to a lesser extent. Future changes are believed mainly to occur at network level, and are also explained by sensemaking at actor level. Current changes are explained mainly at the actor level. It is also interesting to note that the respondent does not talk about sensemaking in box E on actor or dyad level at all. Neither has he given considerable thought to future changes in his relationships, or changes within his company. This impression coincides with observations made during the interview; the respondent was mainly interested in discussing his relationship with Supreme Seafood.

Having analysed the initial dottogram here follows an analysis of changes using the extended dottogram.
7.3.3 Analysing changes using the extended dottogram

Boxes B and D: From “Then” to “Now”

Looking at boxes B (what is happening) and D (why is it happening) five issues emerge: 1) BCB only buys directly; 2) The Supreme Seafood merger; 3) From whole fish to fillets; 4) Norwegian salmon is competitive but expensive; and 5) Irritation with the fish market

1) BCB only buys salmon directly from importer

Much of this interview is a description of the strong ties and cooperation between Supreme Seafood Japan and BCB. The relationship started four years ago (1) which means that the relationship was established before the merger between Supreme Seafood, Global Salmon and Rocky Coast took place: “Your relationship to Supreme Seafood Group; was it with...
Supreme Seafood or Global Salmon before the merger? - It was with Supreme Seafood” (22). The respondent explains that he has always bought his salmon from Supreme Seafood Japan, never from Supreme Seafood Norway, and Supreme Seafood Japan remains a key supplier to this day: “… but the relationship with Supreme Seafood hasn’t changed” (24). The relationship with Supreme Seafood is very important to the respondent, and BCB uses this relationship to promote the quality and freshness of the fish: “That’s what it says here [on the package]: We are buying from one of the world’s biggest salmon producers” (9).

BCB has in fact never bought salmon from the fish market: “Do you get some of your fish from the fish market? No. - Have you done that previously? - No, not from the fish market“ (5). Nevertheless, he has clear views on the functions and role of the fish market (see point 5 below).

Turning to box D, why these changes are happening, the respondent says that retailers are buying directly because they are concerned with traceability (6) and freshness (7): “First of all, we want the freshest fish possible. We don’t want to buy from the fish market where we don’t really know when it is packed or when it arrived in Japan. Secondly, it’s the case of traceability. If we buy from fish market, we don’t know which producers they buy from. Our business is safety. We don’t want to buy anything unsafe or something we suspect is unsafe. That’s why we buy not only from importers, but also from producers” (6 and 7). This is sensemaking at actor level, but the respondent also uses sensemaking at dyad level to explain why he prefers to buy directly. He has deep trust in Supreme Seafood (actor bonds) to give him fish of good quality (resource ties): “By buying directly from Supreme Seafood, we can get assurance about safety and control… Supreme Seafood fish is equal to safety. That’s it” (8).

2) Supreme Seafood merger

This respondent is not heavily concerned with the merger between Global Salmon, Rocky Coast and Supreme Seafood. The reason for this may be that he had ties with Supreme Seafood Japan three years before the merger took place. He has never bought his fish from Norway as some of the respondents in other cases have described, and the corporate decision to force Japanese customers to buy from the Japanese subsidiary doesn’t represent anything new to him. He is therefore quite happy with the situation although he
acknowledges that there has been a change: “We notice that the way of thinking has changed in Supreme Seafood, but the relationship with Supreme Seafood hasn’t changed” (23), i.e. this change at actor level does not represent a change in the dyad. However, later in the interview he acknowledges that the merger has had a positive impact on the relationship as prices have become more stable (25).

3) From whole fish to fillets

In box B, this customer only buys fillets from Supreme Seafood: “The product we sell to him is not the gutted fish, it’s the fillet from Norway” (3a). The reason for buying ready filleted fish is cost and efficiency (sensemaking at actor level): “Because of the efficiency of the store and because the air freight is expensive. There’s no sense in shipping unnecessary parts of the fish.” (2, 3). He acknowledges that supermarkets which have processing (filleting) facilities may buy whole fish, but he needs to buy fillets because his stores do not have this capacity (sensemaking at network level): “Some importers think that the gutted fish gives the best rate because they can sell it to a supermarket which processing facilities or to the fish market. For them it’s more useful to import gutted fish. But in our case, we are selling only to supermarkets and they are concerned with efficiency” (4). Clearly, what he pays extra for ready processed fish, he saves in processing costs in the stores.

4) Norwegian salmon is competitive but expensive

The respondent also discusses the competitiveness of Norwegian salmon vs. Chilean and domestic salmon. Chilean and Japanese salmon is cheaper, but customers are willing to pay extra for Norwegian salmon: “Q: Where do you make most money? Selling Chilean or Norwegian salmon? A: Chilean! [laughs] Q: Do you buy Japanese salmon, Hokkaido salmon? A: We earn more money selling fish from Hokkaido”. This conversation indicates that the respondent thinks it is quite obvious that Chilean salmon is more profitable. He explains that Norwegian salmon has a market share because some customers are willing to pay a premium price for high quality fish (sensemaking at network level): “So far there are customers willing to pay like 2.5 or three times more for fresh fish. 10 per cent of our customers in the supermarket are looking for something good. They don’t really care about price.” (36).
5) Irritation with the fish market

The respondent has strong perceptions of the fish market even though he does not buy his fish there: “We think that direct distribution is the best way… The fish market people are really annoying… the system is very annoying” (10). This passage can be seen as sensemaking explaining why he favours direct distribution (i.e. it belongs in box D). But it may also be treated as a change in ties to the fish market to the worse (change in actor bonds, belonging in box B). Even though the respondent does not admit to buying anything from the fish market, he obviously must have some connections or ties to it, or at least have some past experience from it in order to pass judgment. To explain his perception, he uses sensemaking at network level: “It’s annoying because…. really, they’re losing their market. They don’t get the best fish, and the wholesalers don’t know how much fish the customer wants. So there’s no point in using the fish market anymore”. (11, 12). Here, he literally says that the fish market is becoming obsolete. It fails to provide access to important resources such as fish of good quality and necessary market information. As a result, it is looked upon with resentment by other actors outside the core network.

Boxes C and E: From “Now” to “Future”

Looking at boxes C (what will happen) and E (why will it happen) three issues emerge: 1) Fish market will not disappear; 2) Retail mergers and 3) Stronger ties to Supreme Seafood.

1) Fish market will not disappear

In box D, even though the respondent thinks that the fish market is obsolete as described above, he does not think that the fish market will disappear completely (13). He gives three reasons for this (sensemaking at network level). Firstly, smaller retailers are still dependent on the fish market: “Big customer like BCB don’t have to buy from the importers [wholesaler], but all the small chains, small restaurants or small supermarkets, have to use the fish market to get their fish” (14). Secondly, the system may have advantages for these small retailers even though it reduces their power vs. the wholesalers: “To get wholesalers in between the retailers and importers, it’s difficult to see the whole picture, it’s more up to the wholesaler to decide. But to get a request to the producer takes time, and the wholesalers make it easier for them” (16). Thirdly, the fish market is culturally specific: “The Japanese system is a very unique system” (18).
2) **Retail mergers**

In box D, the respondent believes that there will be several mergers between retailers in Japan (change at network level): “For example, lots of large supermarkets like AEON and Itoyokado are merging” (merging here means buying smaller retail chains) “These will be the biggest ones in terms of market shares. The size of their member stores is increasing” (19). As a consequence, BCB will merge some of the smaller retail chains which they own in order to compete with the bigger ones: “We have agreed to unite all the small ones. And then we can fight with AEON and Itoyokado” (20).

But GCG has an advantage over the big chains; they have a strong position in the local market (sensemaking at actor level): “Our member stores are relatively small, and our customers are more attached to the local people. There is people who come around three times a day instead of once, and they can’t go to the really huge supermarket every day, so we want our customers to use BCB for heir fish” (20a).

He further refers to sensemaking at network level explaining this development towards larger retailers, arguing that this is a natural and logical development: “..This is more like how the economy works”. (43). Eventually, Japanese distribution will resemble European distribution practices: ”But in the Japanese case, there’s lots of small changes, so it’s not like European system, but it will be like that” (44). Here he also says something about the pace of change in Japan.

3) **Stronger ties to Supreme Seafood.**

The respondent believes that he will continue his relationship with Supreme Seafood in the future (change at dyad level); “Q: In the future, do you think you will stop buying Norwegian fresh salmon? A: No, I don’t think so” (27). For instance, they may develop joint promotion activities to boost sales: “We are doing promotion together, like in Christmas last year we did 50 stores, but this time it’s a bit probably difficult. But maybe we will do it in the future” (34).

On the network level, salmon cuts (*kerimi*) has reached a saturation level in the market, but there may be possibilities to increase sales of salmon intended for sushi: “So in a way, it’s very difficult to increase fresh salmon by cut, but maybe it’s possible to increase the consumption of sushi or sashimi” (28, 29).
Explaining these changes, box E, the respondent argues that food spending in Japan is decreasing (sensemaking at network level): “It’s a matter of GDP. People spend more money on mobile phones or clothing, but the amount a Japanese family spend on food is decreasing” (30). Clearly, the demand for cheaper salmon will become evident. He believes that Norwegian salmon will become more popular if the price difference between Norwegian and Chilean salmon is reduced: “We can promote the difference between the frozen and fresh fish, maybe doing promotions to the end users… But if the gap between Norway and Chile decreases, Norway’s share will increase” (33). Japanese customers are concerned with quality, and demand will shift to Norwegian salmon which is believed to be superior to Chilean salmon: “The Japanese consumer thinks that the freshness and fatness are the two factors which decide the product” (31).

### 7.3.4 Brief concluding comments

It is interesting to note that the respondent only buys fillets and has no experience buying from the fish market. He has only positive things to say about his relationship with Supreme Seafood Japan, and has no negative perceptions on the merger. This is probably because he has had a relationship to Supreme Seafood Japan all the time, and has not been forced to move from Supreme Seafood Norway to Supreme Seafood Japan. To him Supreme Seafood has done nothing to upset the relationship. This is in stark contrast to the responses from importers such as Karatsu in case 2.

The retailer and the exporter have very similar views on a range of matters. They have a very good personal relationship, and the respondent at Supreme Seafood told during another interview that he feels at ease with this retailer. They are not as demanding as other customers such as AEON, (which is why he referred to the importer being slaves), perhaps because this is a smaller retail chain than AEON. Still, it is a major player in this part of Japan. It seems that they operate more in terms of the strategy which Supreme Seafood has promoted; they have developed resource ties as Supreme Seafood produce fillets for them and they have activity links in terms of joint activities. The actor bonds are also strong in terms of personal commitment and interdependence (BCB buys only from Supreme Seafood). Both parties are willing to extend the relationship. In many ways this is a relationship for the future whereas the fishmarket seems like a dead end.
This seems to suggest that there is a relationship between alignment or overlap of network pictures and interaction. The relationship between BCB and Supreme Seafood is characterised by commitment and interdependence, and they seem to have similarities in the way they perceive and explain changes.

But the analysis also suggests that even though there is interdependence in terms of actor bonds (commitment) and activity links (joint campaigns), the resource ties are fragile. If Norwegian salmon is going to increase its limited market share on the expense of Chilean salmon, it has to be cheaper. This may impose a threat to the relationship.

In terms of positioning, this case indicates that that Supreme Seafood’s attempt to change their position has not had a negative impact on this relationship, because Supreme Seafood could build upon an already existing position vs. BCB. Neither does the retailer explain that he has attempted to change his position to access resources (as compared to Asahi Retail in case 1 who had just switched from using the fishmarket to buying directly from the importer). But BCB discusses positioning in terms of mergers on the retail level (horizontal positioning). Here he acknowledges that he must change his strategy, i.e. merge some of his smaller retail chains to become stronger and more competitive towards the large retail chains such as AEON. Helping him to achieve this, he can build on his existing relationship with Supreme Seafood.

Having analysed Case 3, here follows and analysis of Case 4 using Model 4.
7.4 Case 4 - A direct distribution network

Fig. 7.29: Sample presented in Case 4.
Note: Two respondents at Tokyo Fisheries were interviewed.

A brief description of the actors:

**Exporter: Supreme Seafood**
See case 2 for a description.

**Importer: Tokyo Fisheries**
Tokyo Fisheries is a medium sized Japanese seafood importer. It was originally a small licensed buyer at the fish market, but started to import seafood directly from producers and volumes increased accordingly. Today it acts as an importer, buying salmon from Norwegian and Chilean exporters and selling to primary wholesalers at Tsukiji or to

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retailers. It also acts as a licensed buyer, buying seafood from the primary wholesalers. It may also be characterised as a producer because it operates a large fishing fleet.

**Distribution centre at Airport: Flying Bee**

Flying Bee is a small distribution company. It offers the same services as Sensei Service used by Supreme Seafood, but Tokyo Fisheries thinks it is cheaper. Flying Bee re-ices and repacks the salmon.

**Intermediary: Tsukiji distribution centre**

Tokyo Fisheries uses this distribution facility at the Tsukiji because of its geographical location; it is close to the Tokyo supermarkets. The fish doesn’t enter the fishmarket system in the sense that it is sold though the primary and secondary wholesaler levels, but Tsukiji provides an easy storage and pickup point for distributors which serve smaller retail chains in the Tokyo area. Here, salmon and other type of seafood is collected according to the retailer’s orders and then delivered to the various retail outlets.

**Intermediary: Kagawa**

Kagawa is a distributor serving as a middle layer between Tokyo Fisheries and Maruaki. Kagawa has a range of products to offer which guarantees stable supplies and variety to the retailer. He also serves as a connection between Tokyo Fisheries and the retailers which enables Tokyo Fisheries to have a single point of contact instead of dealing with a large number of retailers.

**Retailer A: Yoshimoto**

Yoshimoto is a fish retailer, or “shop in shop” with 26 outlets in selected department store chains in Tokyo.

**Retailer B: Maruaki**

Maruaki is a large retail chain in the Tokyo area. It has 193 stores, trading under different brand names. Maruaki consider themselves one of the biggest food retail chains in Japan. They sell all types of salmon; fresh Atlantic salmon, domestic farmed salmon and frozen Chilean salmon.
7.4.1 Description of present network

The fish arrives at Kansai Airport in the afternoon. At the day of the tracking, Tokyo Fisheries received 160 boxes of salmon. All of these boxes were preordered. The importer normally receives between 180 – 200 boxes. The majority is preordered, but sometimes there are some “free salmon” as the respondent calls it; salmon which has not been ordered and which is stored at the airport. The airport provides a storage which the importers can use (picture 7.45). This has a freezing zone (-5 – 0 degrees, left in picture 7.43) and a cooling zone (0 – 5 degrees, right in picture 45). At the time of the interview, this storage was almost empty, indicating high turnover of stocks.

![Picture 7.43: Storage facility at Narita](image)

The airport handles between 10 – 15 tons of Norwegian salmon a week according to customs clearance, Supreme Seafood and Vollstad representing the largest volumes. Other Norwegian exporters are Norway Salmon, Coast Seafood Royal Salmon and Seaborn.

There is no re-icing facility at Narita Airport. Narita is an older airport than Kansai, and was not built with these functions in mind. The distribution companies are located outside the airport but with close proximity. The biggest actor here is SenseiService which also has a large facility at Kansai (see case 1). Supreme Seafood uses this distributor for its operations at Narita. Tokyo Fisheries has decided to use smaller distribution company called Flying Bee (picture 7.44 and 7.45). This company offers the same services as Sensei but it is cheaper. “Sensei has better facilities, but they charge 22-30 yen extra per kilo. In addition to customs clearance and trucking, these costs are overheads. Because we are on tight margins, we need to reduce costs”, the respondent at Tokyo Fisheries explains. He
gets more attention from this small distribution company and Flying Bee is better at adapting to his needs. But Tokyo Fisheries use Sensei when they have consignments arriving at Kansai.

The fish is picked up at the airport by a trucking company which Tokyo Fisheries uses and is then transported to Flying Bee’s distribution facility. Here the fish is re-iced and restrapped, and put on pallets depending on its final destination (picture 7.48 – 7.51). Sometimes the fish is repacked into boxes containing only single items. These are destined for retailers which have placed small orders. The boxes are filled with ice when it leaves the packing plant in Norway, but some of the ice melts during transport. The amount of ice required when reicing depends on the time of year. During summer 4 kilos of ice is added, in the winter 2-3 kilos is needed. Sometimes the fish needs no re-icing at all, particularly in the winter when it is transported directly to the retailer and when there are few stopovers. Looking into an opened box, the fish keeps remarkably well (picture 7.46):
When the boxes are packed in Norway they come with white straps. When the boxes are re-iced in Japan (picture 7.47 – 7.49) they are restrapped with yellow straps. During the day of observation, the majority of boxes ready to be dispatched had white straps, i.e. they had not been re-iced. Probed on this question the respondent said that these were waiting to be re-iced, but some customers did not want to pay for this function, and hence received fish with less ice meaning lesser quality.

The distribution centre also provides a small storage facility which allows consignments to be kept over night. The whole distribution facility is an open space. There are no walls or fences, and apparently no security. In the summer it can get quite hot. The same goes for Sensei’s facilities outside Narita airport. The only cool storage noticed was the one inside Narita. This means that temperature changes can be a problem at these distribution centers, particularly in the summertime. The temperature is somewhat controlled by the amount of ice in the box, and the respondents did not seem particularly concerned with this issue.
Picture 7.47: Salmon repacked in individual boxes before reicing

Picture 7.48: Re-icing salmon. Note re-icing machine to the left, ice to the right.

Picture 7.49: Staff checking consignment before dispatch
Note the individual weight featured on box.
From the distribution company the fish is transported to the distribution centre at the Tsukiji. This is an interesting observation. Tokyo Fisheries uses the distribution facility at the Tsukiji because of its geographical location; i.e. it is close to the supermarkets. The fish doesn’t enter the fishmarket system in the sense that it is sold through the primary and secondary wholesaler levels, but Tsukiji provides an easy storage and pickup point for distributors which serve smaller retail chains in the Tokyo area. Here, salmon and other type of seafood is collected according to the retailer’s orders and then delivered to the various retail outlets.

The fish traced during the day of observation was destined for two retailers; Yoshimoto Fisheries, one of Tokyo Fisheries’ smaller customers, and Maruaki, a large retail chain in Tokyo which is Tokyo Fisheries’ largest customer. These will now be dealt in turn:

**Retailer A - The “Yoshimoto route”**
All of Yoshimoto’s contracts are handled by a purchasing department or head buyer in Tokyo. Yoshimoto is a fish retailer with outlets in selected department stores in Tokyo. One such chain is Keio, an up-market department store chain in affluent Tokyo suburbs (picture 7.50). Customers are middle age people with high incomes. The rent is high, and this is reflected in the pricing policy. “The most expensive place in Tokyo”, the respondent at Tokyo Fisheries explains.

![Keio department store entrance](Picture 7.50: Keio department store entrance)

Keio’s food section specializes in fresh foods and has a wide selection of seafood (picture 7.51). Here the fish is filleted and cut into smaller portions and packed at the retail outlet by trained staff at the fish counter. This processing is carried out continuously as the packets are sold and the counter is refilled.
The retailer explains that he buys all his fresh salmon from Tokyo Fisheries. They receive orders every day, but the volumes are small. He also gets fish from the fish market, but not fresh salmon. He doesn’t know where the fish he gets from the fish market is produced. He buys some Chilean salmon, but not from Tokyo Fisheries. Chilean salmon has been frozen and is of lesser quality than the Norwegian fresh salmon, he believes. Chilean salmon is normally sold at around 300yen/100g (picture 7.53 next page), and Norwegian salmon at 400+/100g. For comparison, the average unit price of Norwegian salmon in Japan is between 198/100g to 290/100g (picture 7.52 below).
Tokyo Fisheries buys the salmon for 800yen/kg from Supreme Seafood, and sell it at 920y/kg to Yoshimoto. The retailer sells it at 490 yen/100 (4900/kg) which represents a considerable mark up, but this must be seen in relation to heavy overheads at the high-end department store where the company is located and the affluent consumer base. “The customers don’t really care about price. They are the richest people in the world”, the respondent says.

**Retailer B - The Maruaki route**

The route the fish takes in this system is slightly different from “the Yoshimoto route”. Here, fish is bought by Yamanochi, which the respondents refers to as a “middle man”, and further sold to Maruaki. Maruaki buys all their Norwegian salmon from Tokyo Fisheries. Last year Maruaki sales was 800 million yen which makes and them Tokyo Fisheries’s 4th largest customer.

There is a close relationship between Tokyo Fisheries, Kagawa and Maruaki. An example of this is that during the interview with Maruaki, Tokyo Fisheries and Kagawa participated and added to the richness of the data. Tokyo Fisheries will deal directly with Maruaki when it comes to discussing the quality of the fish, whereas he will deal with Kasawa regarding price and other contract terms. Tokyo Fisheries explains that he has closer ties to Kagawa, but he also has activities together with Maruaki. For instance, salmon sales peak around Christmas time, and the three actors have to plan accordingly. Processing is done in-store at the larger Maruaki outlets, whereas smaller outlets have their fish processed at Maruaki’s own processing centre. This centre is also used during peak seasons.
Maruaki sell all types of salmon; fresh Atlantic salmon, domestic farmed salmon and frozen Chilean salmon. There is a big price difference here as well; fresh Atlantic salmon is sold at 298 yen/100g, whereas Chilean salmon (coho) is sold below 100yen/100g.

This is how the cost and profit is divided in this network, as presented by the Tokyo Fisheries respondent (see table 7.5):

<table>
<thead>
<tr>
<th>Item</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIF price from Norway</td>
<td>800 yen/kg</td>
</tr>
<tr>
<td>Tokyo Fisheries' profit</td>
<td>250 yen</td>
</tr>
<tr>
<td>Tokyo Fisheries selling price to Kasawa</td>
<td>1050</td>
</tr>
<tr>
<td>Trucking costs</td>
<td>51</td>
</tr>
<tr>
<td>Kasawa's profit</td>
<td>150</td>
</tr>
<tr>
<td>Kasawa's selling price to Maruaki</td>
<td>1251</td>
</tr>
<tr>
<td>Maruaki's profit</td>
<td>1729</td>
</tr>
<tr>
<td>Maruaki's selling price to Japanese customers</td>
<td>2980</td>
</tr>
</tbody>
</table>

Table 7.6: Profit margins in the network

The middle man, Kagawa, is used because he has a range of products to offer which guarantees stable supplies and product variety to the retailer. He also serves as a connection between Tokyo Fisheries and the retailers which enables Tokyo Fisheries to have a single point of contact instead of dealing with a large number of retailers directly. Tokyo Fisheries also explains that Kagawa gives market information to them. Tokyo Fisheries says that it reduces risk to use a middle man, because salmon is not their main product: “Sometimes it’s risky and sometimes it’s easy. You know, sales of Japanese farmed fish is ten times as big as sales of salmon. So salmon is a very small business for us. So that’s why we like to use those guys. This way it’s better for everyone.” The relationship between importer and retailer also ensures traceability. Maruaki knows the country of origin of the salmon, but can’t name the producers when asked.

The retailer explains that there is a big quality difference between Chilean salmon and Norwegian salmon. Norwegian salmon is fatter and tastes better. This way he can argue the price difference to the customer. But Japanese customers in general don’t know the difference between Chilean and Atlantic salmon.
**Characteristics of the network:**

This description presents actually two networks. One which describes the route from Supreme Seafood Norway to Yoshimoto, a small shop-in-shop at Keio, the Tokyo department store.

The other one is the route from Supreme Seafood to Maruaki, a large Japanese retail chain. In both instances Tokyo Fisheries is the importer, but buying from Supreme Seafood Norway through Supreme Seafood Japan.

In the Yoshimoto case, this is a small customer buying small quantities of fish. In many ways it is comparable to the fish market where small intermediaries buy and sell small quantities of salmon to local retailers and restaurants. This relationship is characterised by commitment and trust, but the parties have not gone to great lengths to become interdependent. They have not invested heavily in the relationship. The number of layers between Yoshimoto and Supreme Seafood Norway bars some of the information such as product information. The retailer does not however seem to be concerned with this information. This is another similarity with the fish market.

Conversely, Maruaki represents a much bigger volume, and ties are more interdependent accordingly. This retailer meets regularly with Tokyo Fisheries and Yamanochi, the middleman. The presence of this middleman seems somewhat strange, for instance compared to the relationship between Supreme Seafood and BCB. In the present network, Tokyo Fisheries do not target Maruaki directly, but they seem to be on good terms and know each other well. Tokyo Fisheries use middlemen to access a greater number of end-customers, but this does not defer them from developing close relationships with retailers together with their intermediaries. Tokyo Fisheries’s network, with its use several layers of middlemen, resembles in many ways the fish market. Yet it was established as an alternative to it. The main difference is the extensive contact between Tokyo Fisheries and the retailers, and the advantages this interdependence has in terms of access to resources for all parties. In the fish market this access is limited. This case is a good example of the complex distribution structure in Japan, being far from clear cut of in terms of fishmarket vs. direct distribution as one initially may think.
Having described the present network, changes apparent from the in-depth interviews will now be analysed using the initial dottograms.

### 7.2.2 Analysing changes using the initial dottogram

#### 7.4.2.1 Tokyo Fisheries: General manager

This dottogram is characterized by a limited number of changes compared to the other dottograms in this case. Notably, the largest number of dots is found in box B, i.e. changes taking place from “then” to “now”. Explaining these dots the respondent reverts to four sensemaking devices at dyad and one at network level. The respondent reflects little over future changes. All changes he describes are at network level, and all changes are explained by sensemaking devices at network level.

It seems that he is concerned by the running of daily activities and managing the closest relationships. He has an extensive overview of the distribution flow, evident from the detailed description in the first part of the case study. The dottogram indicates however that he gives less consideration to how the distribution is changing.
7.4.2.2 Tokyo Fisheries: Marketing manager

Fig. 7.31: Tokyo Fisheries’ (marketing manager) initial dottogram

This respondent is mainly concerned with changes at network level (B), and he uses sensemaking devices at network level (D) to explain these changes. He also uses sensemaking at actor level to explain them, but the most striking feature of this dottogram is the large number of sensemaking devices at network level (D). This may be a coding issue, but the analysis below reinforces this general impression. Another striking feature is that he is not concerned with future changes, and the changes he discusses in boxes C and E are a continuation of the development he sees in boxes B and C, i.e. the growth of direct distribution and the role of the fishmarket.

7.4.2.3 Maruaki

Fig. 7.32: Maruaki’s initial dottogram
This dottogram is also characterised by relatively few changes discussed in boxes C and E. The respondent seems more concerned with how the network has changed up until now, than with future changes. However, he shows considerable understanding of changes taking place at network level, and he uses sensemaking at dyad and network level to explain these changes (D). Note that he does not discuss changes at actor level in any of the four boxes.

These three dottograms are similar in that none of the respondents are particularly concerned with future changes. Their discussions are related to changes at dyad level (box B) and network level (box B). The two Tokyo Fisheries respondents discuss only one change each at actor level. In box D, the most striking observation is the number of sensemaking devices referred to by Tokyo Fisheries’ marketing manager. This greatly outnumber the two other respondents, particularly his colleague. There are more similarities between the marketing manager’s dottogram and the head buyer of Maruaki. For these two respondents it could be argued that they are mainly concerned with network changes, and use sensemaking at network level to explain these changes.

Another interesting observation is the great difference between the dottograms of the two Tokyo Fisheries respondents. One would assume that they had a similar dottograms coming from the same company and sharing the same history. But clearly this is not the case.

Having analysed the initial dottograms here follows an analysis of changes using the extended dottograms.
7.4.3 Analysing changes using the extended dottogram

7.4.3.1 Tokyo Fisheries: General manager

Looking at boxes B (what is happening) and D (why it is happening) only one issue seems to concern this respondent; the merger between Supreme Seafood, Global Salmon and Rocky Coast.

**Merger between Supreme Seafood, Global Salmon and Rocky Coast**

As with case 2 and 3, this case is very much a case of the merger between these three companies. The respondent has strong views on this process and what it has meant for his business with these and other actors around and after the merger. As such, his views are very much in line with the views of the respondent at Karatsu in case 2.

Tokyo Fisheries had a relationship to Rocky Coast prior to the merger. The merger meant that they now have to buy their salmon from Supreme Seafood (change at network level): “I used to deal with Rocky Coast, you know, then they got merged with Supreme Seafood and Global Salmon” (1). The respondent is dissatisfied with how this has turned out, and consequently he now buys less salmon from Supreme Seafood (change at dyad level): “After Supreme Seafood moved their office to Tokyo, we don’t want to buy from them” (2). In turn, this change at dyad level has strengthened Tokyo Fisheries’ ties to other Norwegian salmon exporters such as Sola Fisk og Tepperens and Vikomar (change at dyad level): “So that’s why we are looking for some other suppliers. Such as Vikomar” (3).
merger also resulted in the Japan manager of Rocky Coast leaving the company (change at actor level) and starting a new company, Selected Seafood, together with a former colleague from Rocky Coast (change at network level): “The Japan manager left the company together with his boss. I think they are operating their own business” (7). Our respondent has maintained the relationship with this person (8) and Tokyo Fisheries has started buying from this new exporter (change at network level) (9)

Explaining these changes, the respondent is clearly not happy having to use Supreme Seafood Japan as he was used to buying directly from Rocky Coast in Norway. He resents the business model introduced by Supreme Seafood after the merger (sensemaking at dyad level): “After Supreme Seafood moved their office to Tokyo, we don’t want to buy from them” (4). One reason for this is that the respondent had a valued relationship with the Rocky Coast’s Japan manager prior to the merger, and this relationship was characterised by mutual commitment and understanding. The relationship has survived but in a different setting, as he now buys from this new company (sensemaking at dyad level): “He’s a good guy. He’s been doing business with Japan for a long time. We have a relationship going back more than ten years. If you’ve been in the business for ten years, you know each other. He understands me” (10, 11).

Another reason for buying directly from Norway is that this ensures quality and traceability. As a result the respondent wants to strengthen his ties to other Norwegian companies such as Sola Fisk og Tepperens and Vikomar (sensemaking at dyad level): “…I’m looking for a good reliable company in Norway, even a small one” (6). For instance, Vikenko have their own fish and they are dependable: ”They have their own fish. It’s kind of small volumes. Only a few thousand tons” (5).

**Boxes C and E: From “Present” to “Future”**

Looking at boxes C (what will happen) and E (why will it happen) the changes discussed here may be grouped into two themes: 1) The future of direct distribution and 2) The future of the fish market.
1) The future of the fish market

The respondent holds that the fish market will still be present in the future (change at network level) (17). Explaining this he refers to sensemaking at network level. Firstly, the fish market provides an efficient way of distributing fresh fish from Norway to a large number of small restaurants and retailers: “...but I think that dealing with wholesalers, they will grow much higher and faster. So much easier” (16). Secondly, a single actor such as Tokyo Fisheries is not big enough to sell directly to a large number of supermarkets by themselves: “If I go to a supermarket chain I have to spend a lot of time with them. More than I do with the wholesaler. Maybe he will only by a small order from me, 10 or 20 boxes” (18).

2) The future of direct distribution

Even though the respondent sees a place for the fish market in the future, he believes that direct distribution will gain importance (change at network level): “We need to get further into direct sales. Probably next year I should concentrate more on direct sales” (13). Explaining this, he argues that there is no growth opportunity in the traditional market (sensemaking at network level): “You know now the salmon market in Japan is already mature and it’s not so much profitable” (14).

Having analysed the general manager of Tokyo Fisheries’ dottogram here follows an analysis of the marketing manager’s dottogram.
7.4.3.2 Tokyo Fisheries: Analysis the extended dottogram (Marketing manager)

Boxes B and D: From “Then” to “Now”
Looking at boxes B (what is happening) and D (why is it happening) these themes emerge:
1) Merger between Supreme Seafood, Global Salmon and Rocky Coast, 2) Increasing
direct distribution, 3) FM less important, 4) Retailers are becoming more powerful, and 5) Still dependent on the fishmarket.

1) Merger between Supreme Seafood, Global Salmon and Rocky Coast

In line with the general manager discussed previously, the marketing manager at Tokyo Fisheries refers to this merger in great detail (change at network level). He disapproves of the new business model introduced by Supreme Seafood in Japan: “If we can buy fish from Supreme Seafood Norway, that’s fine, no problem. But how come we have to talk with the Japan office? We don’t need that!” (57). The merger has created conflicts and mistrust in the relationship between Tokyo Fisheries and Supreme Seafood (change in actor bonds at dyad level): “The Norwegian companies have got a special strategy to occupy the Japanese market right now” (43). This has also created tension in Supreme Seafood’s relationships with other Japanese importers: “There was a meeting between the importers and Supreme Seafood. All of the importers rejected” (63).

Explaining this conflict, the respondent uses sensemaking devices on all three levels. At the actor level, he explains that Supreme Seafood is out of touch with the Japanese market: “But some part, it’s not adapting to the Japanese market” (44). He also uses sensemaking on Tokyo Fisheries’’s part as he feels neglected; Supreme Seafood Japan gets favourable treatment when they both should be treated on equal terms as importers: “We are in an equal situation on the price, that’s fine. If Supreme Seafood Japan is buying at the same price as we do, that’s fine. But they are having lower prices”(62), “Supreme Seafood is trying to keep the Japan office first, and all the importers has to fly to the Japan office” (64). Further, he states that there was even tension over the new model between Rocky Coast and Supreme Seafood (sensemaking at dyad level): “That’s right. You know, our company did business with Rocky Coast which totally rejected this model when they merged with Supreme Seafood” (54).

On the network level, he uses several sensemaking devices to explain the conflict in the relationship with Supreme Seafood. For instance, he sees Supreme Seafood as a competitor (58). This is sensemaking on network level because here the respondent sees that Supreme Seafood is trying to take up another position in the network, and this is a threat to him. He also believes that Norwegian suppliers such as Supreme Seafood are now benefitting from a distribution structure developed by Japanese importers: “But the Japanese importer built up all the market for the Norwegians in the past, and now they are
trying to skip that. It’s not a good idea to do it” (46) (47) (48) (49). Accordingly, Supreme Seafood’s new business model is not well received by the importers in Japan” “All the companies, everyone in the company, they reject the business model, except us…” (55). He has decided to stay with them because Supreme Seafood is an important supplier to Tokyo Fisheries (sensemaking at dyad level) (56).

Japanese importers feel that business is based on trust, and it is difficult to break relationships. This is one reason why they have objected to Supreme Seafood’s strategy: “In a Japanese culture these kind of things are not accepted. This is our culture. We believe that our business relations are built on a trust” (59). He admits that Tokyo Fisheries bypasses the fishmarket, perhaps upsetting other actors, but he does not share Supreme Seafoods ambitions which are only to maximize their market share: ”Q: Even your company is bypassing the fish market, selling directly to retailers. You deliberately break relationships which you have built?. “A: Of course. But we are not trying to take over the market, like Supreme Seafood!” (60).

Interestingly, the respondent argues that this is a conflict over values, not over culture. “We don’t believe in that strategy, we reject the strategy or the values. It’s not Norwegian-Japanese culture conflicts; it’s the values of that company we are in conflict with.” (61). This view is reflected in Tokyo Fisheries’ well developed relationships with other exporters.

2) Increasing direct distribution
From this interview it is apparent that direct distribution is growing in Japan (change at network level). (6) “Selling to the big department stores is easy. That’s why we choose to do it ourselves” (14). “As you know, you have the distribution flow such as importer, wholesale market, and end users. But Norwegian companies are trying to break this structure, and sell directly to supermarkets” (45). Five years ago Tokyo Fisheries’ sales were 70% to the fishmarket and 30% directly to retailers (9). Today, sales are more like 50/50 (10). Interestingly, Tokyo Fisheries used to be a middle wholesaler (licensed buyer) at the fishmarket, buying from the large primary wholesaler and selling to distributors and retailers. At some point they changed their strategy (change at actor level), and they became an importer, selling to the wholesalers (change at network level). Their business grew steadily and they are now bigger than some of the wholesalers. But they still have
their license as a secondary wholesaler, and some of their business is conducted within the fish market (30).

Explaining the growing direct distribution, the respondent argues that Tokyo Fisheries makes more profit this way, and it is a case of surviving (sensemaking at actor level) (33). He also explains that direct distribution reduces the need for wholesalers (sensemaking at network level): “But the thing is, middle wholesalers don’t have any reason to exist anymore. They don’t do anything, we don’t need them. As importer, we have our own distribution system, we don’t need the wholesaler” (20). Another issue worth noticing here is that Tokyo Fisheries’ change towards direct distribution was partly initiated when the company hired a new general manager at their Tokyo office (the general manager previously interviewed in this case). This person had worked in USA and was familiar with modern supply chain management practices. The general manager again hired a new marketing manager (the current respondent), which also had worked in the USA. It is tempting to suggest that their views on direct distribution have been influenced by their experience from working in a different business culture where direct distribution is the norm. Although not admitted at first, respondent says that it is pure logic when asked why he favours direct distribution, (sensemaking at actor level): “Q: So where did you get your ideas from? Was that America, because you lived there and saw that this is a very typical pattern in the USA where they have direct sales. Is that where you got your idea from? A: No no, I mean…. Well it’s supposed to be like that you know. Q: This is logical? A: Yeah, it’s logical, much more logical than this system here, you know” [points at the network picture of the fish market] (32). “Q: It’s very interesting to see this, you’ve been in America and so has Mitch, and you’ve both taken to a very Western type of distribution, because if you go to the United Stated you see that producers, are trading directly with the retailers. A: “It’s supposed to be like that. In Japan the wholesaler is spoilt” (36).
3) The fishmarket is less important
Following the arguments in the above section, the fishmarket is under pressure from direct distribution (change at network level): “Q: The fish market, they are getting a lot of pressure from direct distribution? A: Of course” (18).

Explaining this change, the respondent uses several sensemaking devices at network level. These arguments may also be seen as arguments for the increase in direct distribution as discussed above. If we try to group the arguments, we see that some are concerned with the fishmarket being old-fashioned: “In the last 30 years, after the war, lots of people would like to make money somehow, and they made business relations really too complicated. That’s why you have importer, wholesalers, middle wholesalers, lots of layers” (37, 38, 39). Other arguments are concerned with the market being ineffective: “They don’t do anything” (21), “Once you connect with the wholesaler, middle wholesaler, retailer, it’s too much trouble. Lots of people. So Japanese people [want to] make business simple. That’s it I think. That’s the most important thing in the present business situation in Japan” (40). It seen as ineffective because the wholesalers are inefficient: “ … these middle wholesalers are really lazy persons” (4) and greedy: “The fish business is really complicated, and a lot of people want better margins. There’s a lot of greedy people. If we cut out all these…[laughs] (34). He argues that they are not worth their commission: “They just do a job. It’s just an auction market. 5.5% commission is too much” (13).

Another reason for the decline of traditional distribution is that Japanese customers are more concerned with food safety and quality: “It’s changing because it’s not that easy to survive in the Japanese economy right now. Everything is changing, the customers want to have safety…” (42), and the fish market cannot ensure traceability: “Small restaurants use the fishmarket, but supermarket chains, they require traceability and it’s really tough to do that in our business” (29). His views are shared with other importers: “All the importers and all fish suppliers in Japan don’t like it” (13a).

4) Retailers are becoming more powerful
One of the characteristics of the change towards direct distribution in Japan is the changing role of the retailer. Several quotes from the interview, also quotes cited above, indicates that retailers are increasingly buying directly, and are contributing to this shift (change at
Another characteristic is that the large supermarket chains are gaining market share on expense of the smaller retailers (25).

Explaining this trend, the respondent says that retailers are concerned with traceability, and the fishmarket cannot ensure this: “We are selling to Yoshimoto. They can buy from the Tsukiji market, but they don’t trust it” (8). Size obviously plays a role here as large retailers are more concerned with traceability than smaller retailers (sensemaking at actor level): “For a store like Yoshimoto it’s really, really important. But these small stores, they don’t care about it, you know. They don’t need to trace the fish. They don’t need to indicate on the label where the fish comes from. Like for example this case [points at package of salmon]. They don’t need to indicate where this crate is coming from. So they don’t care” (3). It appears that smaller retailers mainly get their fish from the fish market, whereas the large retailers are buying directly.

5) **Still dependent on the fish market**

Tokyo Fisheries still has half its sales to the fishmarket (see quotes above), but they use it as a “dumping ground” for their fish (sensemaking at network level): “… but in a situation of oversupply, we keep the consignment at the Narita airport two or three days. But then Yoshimoto don’t want the salmon. They like to have fresher fish. So we dump the fish to the Tsukiji market. We don’t want to sell this fish directly to the retailer stores. At the Tsukiji market the middle wholesalers don’t care, they’re just interested in price, price, price” (7). However, smaller retailers are dependent on the fish market: “Small restaurants use the fishmarket, but supermarket chains require traceability and” (27).

The fishmarket is also used for domestic caught fish: “For the domestic fish supply there would be strictly the wholesale market…for the farmed fish direct distribution” (17). The reason for this divide is that domestic fish is normally sold by auction, and the fish market provides such a function. The fish market ensures a stable supply of a wide product range.
Boxes C and E: From “Present” to “Future”

Looking at boxes C (what will happen) and E (why will it happen) the respondent discusses mainly two themes; 1) Direct distribution will continue to increase and 2) The fishmarket will still play a role in the future.

1) Direct distribution will increase
The respond believes that direct distribution will continue to increase (change at network level): “Q: In five years, what’s the percentage then? My question is really this: Will distribution increase? A: Yeah, I think direct will be increased more” (11). Explaining this change, he argues that wholesalers are ineffective (sensemaking at network level) “They’re lazy. They’re only having margins, right? No-one wants [to pay] 5.5% commission when they get the fish in the market. It’s an easy job, isn’t it?” (12). Many arguments in favour of direct distribution in the section above discussion change from box A to box B may also be seen as arguments for the increasing impact of direct distribution.

2) The fishmarket still present in future
Although it has shortcomings, the fishmarket will still be present in the future because it serves as purpose for smaller retailers (sensemaking at network level): “Q: But if you think about all these small retailers that don’t have the ability to come and buy from you? They are dependent on some kind of splitting of products and a large product variety. In a way they need the fish market to cater for so many products because they aren’t big enough to buy it directly? A: Right, it’s too small. It’s really difficult to buy each by each” (23, 24). Hence, the fishmarket serves an important function as it guarantees stable supplies of a large range of seafood products.

Having analysed Tokyo Fisheries’ extended dottogram, here follows an analysis of Maruaki’s extended dottogram.
7.4.3.3 Maruaki

Fig. 7.35: Maruaki’s extended dottogram

**Boxes B and D: From “Then” to “Now”**

Looking at boxes B (what is happening) and D (why is it happening) three themes are evident: 1) Increasing direct distribution, 2) Chilean salmon gaining market share and 3) More powerful retailers

1) **Increasing direct distribution**

This respondent also agrees that direct distribution is increasing on the expense of the fish market (change at network level): “Q: When I talk to other people in the industry, they tell me that there is very much a pressure now on the fish market to become more effective because there is a current recession in Japan, and the industry is restructuring towards more direct sales. One of the key reasons for this is retailers pushing against the system, demanding lower-priced goods… And the exporters are pushing towards more direct sales because they want a better price for their salmon. In your experience, is this a picture you
would agree to? A: Yes, I do” (21). Maruaki used to get all their fish from the fishmarket: “So you know, as a starting point we were buying from the market” (12), but today the fishmarket only accounts for half of their supplies “Q: How much do you buy from the market and how much from outside? A: I would say half and half” (8). The respondent explains that the fishmarket is mainly used for live caught fish, whereas farmed fish is distributed outside the fish market (10).

The respondent lists four reasons why Maruaki buys their fish directly from the importers (sensemaking at dyad level); freshness and quality “Q: Why don’t you buy fresh Atlantic salmon from the distributors at the fish market? A: Stability and quality” (11), plus traceability and efficiency: “There are two reasons for buying directly. One is omitting intermediaries, improving distribution flow. The other thing is trying to improve traceability” (16).

On the network level the respondent explains that the fishmarket is costly due to its many layers sharing the profit: “Traditional Japanese distribution still remains in Fukuoka and Osaka, but less so in Tokyo because of the commission system. If you go through the traditional distribution system the commission will be costly, that’s why now the Japanese are going for direct distribution” (14, 15). Another explanation is that Japanese customers are increasingly concerned with traceability: “It’s easier to identify the salmon, where it comes from. It’s easier to sell to customers this way” (17). Finally, the respondent agrees that this is a European and American trend coming to Japan: “Q: If you look like 20 years ago in Japan, wholesalers of all goods were really powerful. But now a lot of studies are showing that the power is shifting down towards the retailers. And this is a development which has been happening in Europe and America for many years, and now it’s coming to Japan. Would you agree to that? A: Yes, yes!” (25).

2) *Chilean salmon gaining market share*

Salmon from Norway has difficulties competing with Chilean salmon, and sales are falling (change at dyad level): “Compared to five years ago, sales of Atlantic salmon are down. In October last year, Atlantic salmon was 23 percent. This year it’s 15 percent, nearly halved” (1).
The reason for this decline is that Chilean salmon is cheaper (sensemaking at dyad level) “Chilean salmon is sort of picking ground against the Atlantic salmon because it is becoming cheaper (3). It is more profitable for retailers to switch to Chilean salmon (3a).

3) More powerful retailers
We can also detect a tendency towards a more powerful Japanese retail level (22). Foreign retail chains are trying to get a foothold in Japan and domestic retailers have feared them (change at network level): “Foreign supermarkets like Carrefour and WalMart are coming over here. Japanese retailers were concerned about this development, believing that the Japanese consumers would start coming to these new supermarkets” (21). Maruaki believes that the even though the Japanese are curious of the newcomers they stick to their traditional suppliers: “But once they opened their doors, the biggest supermarket chain, most people went to see or to play but not so much to buy food” (19).

Boxes C and E: From “Present” to “Future”
Looking at boxes C (what will happen) and E (why will it happen) the respondent discusses mainly three themes; 1) Fishmarket will disappear, 2) Demand for Norwegian salmon will fall even further and 3) More competition between Japanese retailers. These changes are not discussed in greater detail.

1) Fishmarket will disappear
The respondent believes that the fishmarket will disappear altogether in the future (change at network level): “This system [points at the fish market in the network picture] is going to collapse within a decade” (13)

2) Demand for Norwegian salmon will fall even further
From the interview it is apparent that Norwegian salmon sales will continue to fall (change at network level) (5). Explaining this future development, the respondent argues that customers are concerned with price. However, a small segment will still buy Norwegian salmon (change at network level: “Most customers are looking for the cheaper price…Some people like the Norwegian salmon, [but] most of customer, almost all people (--) more price” (6, 7).
3) More competition between Japanese retailers

The respondent believes that competition between supermarkets will become intensified, and some will go out of business (change at network level): “Yes. In the future market, supermarket competition will [increase]. Some people will win and some people are going down” (20).

Having analysed the extended dottograms for the actors, here follows an intra-case analysis of Case 4.

7.4.4 Intra-case analysis of Case 4

Table 7.7 shows a thematic analysis of the issues identified in the extended dottograms:

<table>
<thead>
<tr>
<th>Boxes B and D</th>
<th>Tokyo Fisheries: General manager</th>
<th>Tokyo Fisheries: Marketing manager</th>
<th>Maruaki</th>
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<tbody>
<tr>
<td>Respondents:</td>
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<tr>
<td>Common themes:</td>
<td></td>
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<tr>
<td>1) Increasing direct distribution</td>
<td>Increasing direct distribution</td>
<td>Increasing direct distribution</td>
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<tr>
<td>2) The merger between Supreme Seafood, Rocky Coast and Global Salmon</td>
<td>Merger between Supreme Seafood, Global Salmon and Rocky Coast</td>
<td>Merger between Supreme Seafood, Global Salmon and Rocky Coast</td>
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<tr>
<td>3) Retailers are more powerful.</td>
<td>Retailers are becoming more powerful</td>
<td>More powerful retailers</td>
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<tr>
<td>Other themes:</td>
<td>FM less important Still dependent on the fishmarket.</td>
<td>Chilean salmon gaining market share</td>
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<table>
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<tr>
<th>Boxes C and E</th>
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<td>Respondents:</td>
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<tr>
<td>The future of the fish market</td>
<td>The fishmarket will still play a role in the future.</td>
<td>Fishmarket will disappear</td>
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<td>The future of direct distribution</td>
<td>Direct distribution will continue to increase</td>
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<td>Other themes:</td>
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<td>Demand for Norwegian salmon will fall even further</td>
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<td>More competition between Japanese retailers</td>
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Table 7.7: Comparing themes across respondents in Case 4
7.4.4.1 Comparing the templates (current changes: Box B and D)

There are three issues where similar perceptions are discussed by the respondents: 1) Increasing direct distribution, 2) The merger between Supreme Seafood, Rocky Coast and Global Salmon, and 3) Retailers are more powerful.

1. Increasing direct distribution/The role of the fishmarket

This point is discussed in detail by the two respondents from Tokyo Fisheries. The general manager refers to this issue when he says that the need for direct contact with the supplier in Norway is the main reason why he does not approve of Supreme Seafood’s new distribution strategy after the merger (This is dealt with in more detail in the next section). The Tokyo Fisheries and Maruaki respondents have the same perceptions regarding the growth of direct distribution. The general manager of Tokyo Fisheries talks about a change from 70/30 to 50/50, whereas Maruaki has seen a marked shift. They used to buy all their fish from the fishmarket but now only buys half of their fish from this source.

The perceptions why these changes have occurred are also very similar. The Tokyo Fisheries general manager argues that direct distribution has occurred because the need for wholesalers has disappeared. Maruaki voice similar arguments in terms of the need to reduce layers and greater efficiency. Both the marketing manager at Tokyo Fisheries and the head buyer at Maruaki argue that these distribution practices are very much a Western trend now coming to Japan. It should be noted that on this particular issue both the question was phrased as an argument which the respondents were asked to agree/disagree to, rather than an open-ended question. The question may therefore be slightly biased. But the fact that they did agree to it, one of them wholeheartedly, indicates that there is some substance to this claim. Maruaki further argues that direct distribution ensures traceability and represents improved quality of the fish. The continued recession in Japan and less buying power is another argument for direct distribution according to Tokyo Fisheries’s general manager.

Tokyo Fisheries’s marketing manager goes even further than the two other respondents in explaining the demise of traditional distribution in Japan. He says that it is a relic from the post-war period. He poses a quite harsh judgement on the wholesalers at the fish market, terming them as are greedy and lazy.
2) The merger between Supreme Seafood, Rocky Coast and Global Salmon

Whereas the Maruaki respondent does not deal with this issue at all the two respondents from Tokyo Fisheries have very similar views on the merger. This is a matter which obviously has been heavily discussed inside their company and with other importers. For instance, Karatsu (the primary wholesaler presented in case 2) had very strong feelings about this issue.

Tokyo Fisheries clearly opposes the new business strategy introduced by Supreme Seafood after the merger. They cannot understand why they have to get their salmon from the Japan office when they are used to buying their fish from Norway. The reason why they prefer to deal directly with Norway is access to information (resource ties) and personal commitment to their contact person (actor bonds). Seemingly the actor bonds have been particularly strong between Rocky Coast and Tokyo Fisheries. The general manager of Tokyo Fisheries and the former Japan manager of Rocky Coast got on well, and they had formed a relationship which goes back 10 years. When Rocky Coast merged with Global Salmon and later Supreme Seafood, Tokyo Fisheries were forced to start working with Supreme Seafood Japan. The general manager resented this, and he has kept his relationship with the former Japan manager. Tokyo Fisheries now buys from his new company in Norway, Selected Seafood. Similarly, Tokyo Fisheries is buying from other Norwegian exporters such as Vikomar and Sola Fisk og Tepperens. The ties to these suppliers have been strengthened after the merger, and the ties to Supreme Seafood are weakened.

The merger is therefore a good example how of a change at network level effects more distant relationships in a network.

The merger has created tension and conflicts in the relationship between Supreme Seafood and Tokyo Fisheries, and the two Tokyo Fisheries respondents give examples here. The marketing manager voices the strongest concerns. He believes Supreme Seafood has not taken into account the delicate relationships existing in Japan, and has gone forward with brute force (His views are in this respect quite similar with Karatsu’s views in case 2). But it is not a cultural conflict, he argues, it is more a conflict between company values. But it is clear from these cases that the values between the Norwegian and the Japanese companies differ. (This will be dealt with in more detail in the inter-case analysis of the
next chapter.) One reason for his fear of the new business model is that he sees Supreme Seafood Japan as a competitor. The two Tokyo Fisheries respondents say they would not have objected so strongly if Supreme Seafood Norway gave equal terms to all Japanese importers, Supreme Seafood Japan and Tokyo Fisheries included. But Tokyo Fisheries now feels that Supreme Seafood Norway favours Supreme Seafood Japan. This is an example of how two importers will crave for the same position in a network. It looks like Supreme Seafood has gained an upper hand in this situation as they have forced their business model upon the other Japanese importers. On the way they have lost business to other Norwegian exporters, but they are still to be reckoned with due to their size. This point is referred to by the Tokyo Fisheries marketing manager as he explains that they have decided to stay with Supreme Seafood despite their grievances because the companies are interdependent. The Tokyo Fisheries managing director is more pessimistic about the outlook for the relationship; he believes Tokyo Fisheries will stop buying from Supreme Seafood. But probed on the issue and looking at ties apparent from the analysis of the distribution flow described in the beginning of this case, Supreme Seafood is obviously still Tokyo Fisheries’s main supplier and will continue to be so because Tokyo Fisheries has not developed relationships to other suppliers to the same extent as they have done with Supreme Seafood.

Apparently, this discussion has not filtered down to the relationship between Tokyo Fisheries and Maruaki, or between Tokyo Fisheries and Yamanochi for that matter. Maruaki seems to be more concerned with the country of origin (Norway/Chile) and fish species (Atlantic salmon) than the name of the exporter. The fish that we traced in this case was fish from Supreme Seafood destined for Maruaki and Yoshimoto. Maruaki describes that Chilean salmon is gaining market share on the expense of Atlantic salmon from Norway. Chilean salmon is cheaper and yield higher profits for the retailer. With this in mind, he forecasts that Norwegian salmon sales will fall even further. One can just assume that this fear is one of the reasons why Tokyo Fisheries and other importers resent buying from Supreme Seafood Japan. This extra layer increases costs, and makes it even more difficult to sell Norwegian salmon to retailers like Maruaki.

But the majority of Japanese importers, including Tokyo Fisheries, also sell Chilean salmon and they have the possibility to switch to this resource. Karatsu, for instance, are doing this already. Knowing that Supreme Seafood Chile is one of Chile’s largest
exporters of salmon from its operations there, Supreme Seafood worldwide will not lose volumes if Japanese importers switch from Norwegian to Chilean salmon. But this shift still has implications for actors who are dependent on fresh salmon. From this study it appears that actor bonds, resource ties and activity links are strong between actors who are dependent on Norwegian fresh salmon. Hence this issue is not as easy as it seems.

3) **Retailers are more powerful**

Maruaki and Tokyo Fisheries’s marketing manager refers to this trend as one characteristic of direct distribution. Large Japanese retail chains are increasingly buying directly, and small retailers traditionally dependent on the fishmarket are disappearing. Retailers are concerned with traceability and freshness, and this is better achieved with direct distribution. It appears that actor bonds are close between retailers and importers in this network. Tokyo Fisheries’s marketing manager says that it is “easier” dealing with the large retailers, and the fact that Maruaki, Tokyo Fisheries and Yamanochi all sat together during the interview is a good illustration here.

7.4.4.1 **Comparing the templates (future changes: Box C and E)**

As evident from analysing the initial dottedgrams in the beginning of this section, the respondents are not that concerned with future changes. However, the few issues they discuss are similar and they are all related to the further growth of direct distribution and the future of the fishmarket.

The two Tokyo Fisheries respondents believe that direct distribution will increase even more in the future because the fish market is not effective and it has no growth opportunity. Maruaki even believes that the fishmarket will disappear altogether in 10 years! Tokyo Fisheries’s marketing manager conversely says that the fishmarket will survive because it is an efficient way to distribute fresh salmon and a great variety of other species to a large number of smaller retailers. The head buyer at Maruaki does not touch upon this point, but he argues that the number of retailers in Japan will be reduced because of fierce competition. Following his argument one would assume that it is the small retailers which will go out of business, and the need for a sales channel such as the fishmarket will disappear accordingly.
7.4.4.2 Brief concluding comments

This analysis builds on some of the discussion in case 2, illustrating that an actor may change the network by using force. Supreme Seafood deliberately changed their distribution structure in Japan despite protests from Tokyo Fisheries. They could do this because they had a large market share and Tokyo Fisheries is dependent on their supplies, even though they resent Supreme Seafood’s business practices. This implies that an actor may use force to create change if he has resources which are important Tokyo Fisheries to other actors.

The case further builds on previous discussions in the previous cases which suggest that actors try to change the network in order to be better positioned towards access to resources. In this case, the retailers have stopped buying from the fishmarket because they want better access to information and fresher fish.

Finally, the role of network pictures is also discussed in this case. The actors have generally the same perceptions about the fishmarket. i.e. their network pictures are similar. Again, it may seem that there is a relationship between the level of interaction and network pictures. All the actors in this case have had negative experiences buying from the fish market (i.e they have reduced their interaction patterns), and they have extensive interaction with each other (i.e. they have increased their interaction patterns).

Having analysed Case 4, here follows and analysis of the final Case 5 using Model 4.
7.5 Case 5 – A traditional distribution network

A brief description of the actors:

**Importer: Tokyo Fisheries**
See case 4 for a description.

**Primary wholesaler: Marukawa**
Marukawa is the second largest out of the seven licensed primary wholesalers at Tsukiji. In contrast to Karatsu (see case 2), Marukawa does not import its own fish but relies on importers such as Tokyo Fisheries. Marukawa is Tokyo Fisheries’s largest customer at Tsukiji, but represents only 2-3% of their total sales.
Intermediate wholesalers: Koyuwa and Toichi
These are two small intermediate wholesalers at Tsukiji who were briefly interviewed as part of the tracing, but not in-depth. They are therefore not included in the dottogram analysis.

Tsukiji General Director
The Tsukiji Director General is the senior administrative official for the Tokyo fishmarket. He has been interviewed on a more general basis, and is therefore not an active part in the fish distribution activities observed when tracing the fish. His views are included in this case, as this represents one of the two cases describing traditional seafood distribution.

7.5.1 Description of present network
The consignment arrives at Narita airport in the afternoon and is distributed to Tokyo Fisheries’s distribution centre, Flying Bee, for re-icing. The distribution process in this case is similar to case 4 up until this point. The salmon is stored at the distribution centre for a couple of hours, waiting to be transported to Tsukiji during the night. It arrives at the wholesaler at Tsukiji around 02.00 in the morning. Marukawa stacks the fish on pallets together with consignments of fish which they have ordered from other suppliers. Marukawa buys most of their fresh salmon from Tokyo Fisheries. They also buy some Tasmanian (New Zealand) salmon from other suppliers. At the wholesaler section, the fish is bought by secondary wholesalers or licensed buyers. Volumes are normally ordered in advance. At the day of the interview, Marukawa received 15 cases of Sola Fisk og Tepperens salmon from Tokyo Fisheries, all of which had been preordered (pictures 7.54 and 7.55).

Picture 7.54: Salmon having arrived at Marukawa’s section at Tsukiji
Sola Fisk og Tepperens is one of Tokyo Fisheries’s smaller Norwegian suppliers, but is not included in the sample of the largest Norwegian exporters because it was difficult to access them in Norway. Tokyo Fisheries has started buying increasingly more from this exporter lately, and will continue to do so in the future. The reason for this is the new distribution strategy and business model which Supreme Seafood has introduced and which has greatly upset Tokyo Fisheries and other importers. As a response to this move, they are increasingly buying from other Norwegian exporters.

Marukawa is Tokyo Fisheries’s largest customer at Tsukiji, but represents only 2-3% of their total sales. Marukawa is the second largest primary wholesaler at Tsukiji. The respondent at Marukawa explains that he does not have a preference for a particular Norwegian producer; he relies upon Tokyo Fisheries to make this selection for him. Sometimes he will get salmon from Sola Fisk og Tepperens and sometimes from Supreme Seafood, but he will buy all his fresh salmon from Tokyo Fisheries. Besides Atlantic fresh salmon from Norway, Marukawa also buy some Tasmanian Atlantic fresh salmon from other importers. They always use importers when they buy fresh fish, but for frozen fish they buy directly from exporters.

Marukawa’s biggest single customer is Ito Yokado, the supermarket chain. Ito Yokado buys directly from Marukawa, around 100 tons a year. This represents 8-10% of Marukawa’s sales of fresh salmon. Secondary wholesalers at the Tsukiji still account for the biggest volume, around 70%. The remaining is sold to fishmarkets in other regions. This year Marukawa’s total sales of fresh salmon will be between 800 – 1000 tons.
The consignment observed on the day of the tracing, 15 cases of fresh salmon, had all been preordered by more than 15 different middlemen. This means that each transaction represents a rather small volume. The middlemen do not have any particular preference for salmon producers; they will trust the wholesaler to make a decision for them. The price is stable regarding farmed salmon, so there is no need to shop around. “The only thing that matters for the middle wholesalers is a constant supply”, the Marukawa respondent explains. “The primary wholesalers need to be assured that they can meet their obligations to their customers”. Out of the around 800 middle wholesalers at the Tsukiji, 100 sell Norwegian salmon. They are loyal to their primary wholesalers and their business relationships go a long way back. Marukawa’s customers for instance buy mainly from him.

Marukawa also sell directly to large restaurant chains, these account for about 2-3% of sales. Large supermarket chains such as Ito Yokado and large sushi chains can deal directly with the wholesalers, but the smaller actors such as local supermarket or small fish shops buy from the fishmarket. The Marukawa respondent knows very little about these end-customers. He knows who the secondary wholesalers buying from Marukawa are, but he doesn’t know who they sell to and he never meets them.

Although the majority of middlemen at the Tsukiji are small companies, some large ones are also present at Tsukiji, called licensed buyers. “Some are even bigger than us”, the respondent of Tokyo Fisheries explains. “What you see here at the Tsukiji is only a part of what is going on. They have factories and offices other places”.

The secondary wholesalers perform simple processing such as filleting at their stalls, but many customers prefer to buy whole fish and do their own fillets. The salmon is finally bought by small fish retailers and restaurants. The fish is either picked up by the retailers and restaurants directly or by distributors who collect several types of seafood from a range of middle wholesalers. At the day of the tracking two of the middlemen, Koyuwa and Toichi, who had bought Marukawa’s salmon were interviewed.

Koyuwa is a licensed buyer and is large compared to the general secondary wholesalers you find on the floor of Tsukiji. An order from Marukawa is normally between 10-20 cases. Koyuwa has four stalls at Tsukiji, but their main business is located outside the
market. Their main customers are hotel restaurants and retailers. The respondent at Koyuwa is in charge of the hotel supplies and has little knowledge of the retailers that they serve. He says that he doesn’t really care where the salmon comes from; he is mainly concerned with price and quality. He trusts that the wholesaler gets him the best possible fish, and secures constant supply so that he can meet the demands from his customers. His customers are not that concerned with product origin either, they are mainly concerned with price. This is also the case for the Japanese consumers, he says. Although country of origin by law has to appear on the salmon package, the majority of Japanese consumers are less concerned with it.

Koyuwa acknowledges that Japanese distribution is undergoing considerable changes currently. “Increasingly, distribution is taking place outside the traditional channels,” he explains. “This imposes challenges to our company. We have an option to import ourselves like some other licensed buyers do, but we are not doing this at the moment. If we approach an exporter which mainly deals in salmon and not the other species we are selling, where are we going to get hold of these? We are missing the other products if we do it this way. In the wholesale market, there are a lot of options open to us. It is also a question about hedging risk. We need variety and constant supply, and the fish market ensures this”.

Toichi buys their salmon from five different primary wholesalers, depending on their price. The respondent says that he prefers Norwegian salmon because of its traceability. “Fresh Atlantic salmon is very popular in Japan”, he explains. “The Norwegian salmon is the best salmon for sashimi. We can also trust that the Norwegian salmon we buy is of good quality because it has good traceability. We are wearier of other countries, particularly fish from China and the Far East. We don’t trust the product code from these countries. But we can rely on the Norwegian salmon.” In addition to sushi restaurants, this secondary wholesaler has specialized in supplying salmon used by Italian and French restaurants.
Toichi also sells to small retailers and fish shops. Everything they sell has been preordered. The day of the tracking they received 200 kg. salmon which they bought at 800 – 850 yen per kilo (one case is around 20-25 kg). In peak seasons Toichi may place orders for as much as 50 cases of salmon. They repack some of the salmon depending on the customers’ preferences (picture 7.56). The customers pick up the salmon either by their own trucks or by contracted trucking services. Before the salmon can be loaded onto the trucks it must be wheeled off to the distribution depot by hand or by motordriven carts (picture 7.57).

Characteristics of the network

This case builds on the discussion in case 2. The Tsukiji is a well-organised market for its purpose, supplying a large variety of seafood to a great number of smaller retailers and the restaurants. This network is also undergoing considerable pressure to become more efficient as growing volumes are traded directly between producers and retailers.
What is interesting to notice is that the two secondary wholesalers interviewed explain that primary wholesalers themselves are increasingly bypassing the fishmarket. This has been discussed briefly in case 2 where Karatsu suggest that 10 percent of its volumes are traded outside Tukiji. In this case Marukawa, the other large primary wholesaler talks about 8-10 percent. But talking to the two secondary wholesalers represented in this case, this number may be larger. The two secondary wholesalers do not describe a percentage, but the way they talk about it suggest that this is deeply felt and this worries them. It seems that the primary wholesalers are partly driving the change toward direct distribution, deliberately bypassing the fishmarket in which they are embedded.

Another characteristic of this network is that there seem to be little information passing through the layers in terms of product and market information. The primary wholesaler does not know where his salmon ends up, and the secondary wholesaler does not know where the salmon comes from.

Having described the present network, changes apparent from the in-depth interviews will now be analysed using the initial dottograms.

7.5.2 Analysing changes using the initial dottogram

7.5.2.1 Marukawa

![Fig. 7.37: Marukawa’s initial dottogram](image)

The most striking feature of this dottogram is that there are relatively few changes discussed in the four boxes. The changes apparent are related to network changes. The respondent talks about current and future network changes, and he explains them by using sensemaking at network level. Particularly, sensemaking explaining the current changes at
network level is predominant as there are six changes discussed in box D. As we will see from the analysis of the extended dottogram below, all these dots relate to arguments in support of the fishmarket. Not surprising as he is one of the largest wholesalers at Tsukiji.

7.5.2.1 Tsukiji market General Director

Fig. 7.38: Director general’s initial dottogram

This respondent discusses the current changes in at network level in more detail. Explaining these changes he uses sensemaking devices on all three levels. In the future, he is concerned with changes at actor, dyad and network level. He uses sensemaking at network level to discuss these future changes. From the dottogram it appears that the respondent seems to have a clear understanding of how the network is changing, and what consequences this has for the involved actors. Being the top executive of the Tsukiji market, one would assume he had this perspective. It should also be remembered that the interview was largely conducted around current and future changes.

There are relatively few similarities between the initial dottograms for these two respondents. One could argue that both respondents are concerned with change at network level (Box B), and that both use sensemaking at network level to explain the changes. Both are also concerned with future change at network level (box C) and use sensemaking at network level to explain this (box E). The dottogram differs in that the respondent at Tsukiji has a richer perspective on the network as he sees changes at all levels, whereas the Marukawa respondent has a limited view. One explanation may be that the Tsukiji
respondent is in a position where he has a great overview of the market, but the Marukawa respondent seems to be more concerned with running-of-the-mill activities.

Having analysed the initial dottograms here follows an analysis of changes using the extended dottograms.

7.5.3 Analysing changes using the extended dottogram

7.5.3.1 Marukawa

Boxes B and D: From “Then” to “Now”
Looking at boxes B (what is happening) and D (why is it happening) two themes are discussed by this respondent; 1) Increasing direct distribution and 2) The fishmarket is still used.

1) Increasing direct distribution
From the interview it appears that the respondent acknowledges that direct distribution is evident in Japan, but not to a great extent (change at network level). “Most likely direct sales do not exist right now” (12). As a primary wholesaler at Tsukiji Marukawa participates in direct distribution, but the volumes are modest. Their biggest single customer is ItoYokado, a large retail chain: “Q: ItoYokado, would they buy directly from
you? A: Yeah. Q: In percentage, how much of the fresh salmon would they buy? A: Hundred tons annually, probably eight to ten per cent”. (1)

The respondent says that supermarkets will prefer to buy directly, but wholesalers are hesitant because it is too risky. The retailers don’t approve of this reluctance and this represents a latent conflict between wholesalers and retailers (sensemaking on dyad level): “Well, they [the supermarket chains] don’t like it” (15). Only large retail chains can buy directly, because they are financially strong to take risks (sensemaking at network level): “Big supermarkets like ItoYokado and others [may] hedge the risk” (12). Risks may also relate to customer support: “…all the claims and stuff like that” (13).

2) The fishmarket is still used

Even though there has been an increase in direct distribution, Marukawa still sell the majority of their fish through this traditional channel (change, or rather stability, at network level): “Downstairs [at the Tsukiji stalls] 60 to 70 % [are sold], and about 20 to 30% are sold to the other wholesale markets” (2).

To defend the fishmarket he presents arguments from the point of view of the importer, the wholesaler and the retailers, i.e. all the actors in this network: For small retailers it is not beneficial to buy directly as one needs to be of some size to hedge risk (sensemaking at network level, see quote 12 above). For large retailers he believes that it will not be practical (he uses the word impossible) to buy directly because the various stores in a retail chain have their individual requirements. It is more beneficial for these stores to get their supplies from the fishmarket (sensemaking at network level): “For ItoYokado, for instance, each store has its own requirements, only one piece for each store. So they have to repack each piece. That’s why they are buying from the Tsukiji market. It’s impossible to sell directly to ItoYokado”. (16). Saying this, he actually contradicts himself as he previously stated that he sells 100 tons of fresh salmon to ItoYokado a year. What he means is probably that it would be difficult for a large retailer like ItoYokado to buy fish for all their stores if each store has individual requirements. For wholesalers it is too risky to sell directly to retailers (sensemaking on network level): “But these guys [the wholesalers], they don’t want to do it. There’s too much risk in it” (14). For importers the fishmarket performs vital functions such as repacking that are not that easily replaced: “The importers don’t have the skill to do the repacking.” (17).
Boxes C and E: From “Present ” to “Future”
Looking at boxes C (what will happen) and E (why will it happen) the two themes discussed above are taken further here: 1) Direct distribution evident and 2) The fishmarket will survive.

1) Direct distribution evident
Even though the respondent does not see much direct distribution today, he believes that this will rapidly increase in the future (change at network level): “Q: If we go five years ahead, how much of this would have changed would you say? A: These importers [are] directly selling to the supermarkets” (3). Obviously, he must have given this matter a great deal of thoughts because he has clear answers of how he will face this challenge. For instance, he may start importing salmon directly from the exporter, bypassing the importer (change at network level): “We may import directly from Norway, we can do that. Not for now, but in the future it might be” (5). He is also thinking about taking up other functions like processing and storage facilities to become more attractive to retailers (change at actor level): “Not for now, we’re not doing it. But we might offer processing, like a depot. It’s a development for the wholesalers. For instance, if a supermarket buy 100 kg of tuna it’s really difficult to process 100 kg, right? If they don’t want to process themselves, we can do it. That’s what we try.” (10).

Explaining the growth in direct distribution, the respondent seems to be a bit dismal (sensemaking at dyad level): ”Q: And how do you feel about that? A: Nothing to say. Q: Nothing to say? A: Yeah, that’s the way it is” (4). Direct distribution is apparently increasing and there is not much he can do about it. He has to make the best of it, and become more attractive to the retailers: “That’s what we try to do” (11).

2) The fishmarket will survive
Despite the growth of direct distribution, the respondent believes that the fishmarket will survive (change at network level): “It’s impossible [to sell] hundred per cent direct sales, it would be impossible” (7). Explaining this, he says that small retailers will still be dependent on the fishmarket as the retail structure in Japan is still too fragmented (sensemaking at network level): “For the direct sales; many retailers are small shop and so many people have to be involved. There are so many stores, hundreds, all different. Big ones, small ones, medium, all different.” (9). The biggest threat is facing the middle
wholesalers, as these cannot import directly: "Not for the middle wholesalers, only for the wholesalers” (6)

Having analysed Marukawa’s extended dottogram, here follows an analysis of the Tsukiji Director General’s extended dottogram.

7.5.3.2 Tsukiji Director General

Fig. 7.40: Tsukiji Director General’s extended dottogram

Boxes B and D: From “Then” to “Now”

Looking at boxes B (what is happening) and D (why is it happening) the director general is concerned with four themes: 1) Increasing direct distribution, 2) Changing retail and restaurant structure, 3) Creating new functions to face challenges and 4) Intermediaries resist change.
Before analysing changes at actor, dyad and network level, one comment concerning coding of changes at the three levels should be made. The Tsukiji is one of the world’s largest fish markets, and a change within this market is really a network change. But we can also consider Tsukiji as an actor which has relationships to other actors such as retailers and importers. One distinction can be made whether the actors are within or outside the Tsukiji. For instance, primary wholesalers such as Karatsu and Marukawa, and a massive amount of secondary wholesalers are located within the Tsukiji. But there are also secondary wholesalers such as Tokyo Fisheries which are both within Tsukiji as a licensed buyer, and outside Tsukiji as an importer. For the sake of analysis, the changes within the Tsukiji analysed in this section are coded as changes at actor level. Changes in connected relationships with actors at Tsukiji and other actors are coded as network changes. Dyad changes are changes within existing relationships between actors inside and actors outside Tsukiji. What about change within a relationship between actors at Tsukiji, for instance between primary and secondary wholesalers? In all the other cases this has been treated as a change at dyad level, but in this case it is treated as a change at actor level, because here we see Tsukiji, or “the fish market” as an actor per se. Consequently, the decision to move Tsukiji from its present location to new premises is viewed as a change at actor level even though the move represents moving over 1500 companies.

1) Increasing direct distribution

This respondent also identifies increasing direct distribution as a major trend. Apparently the volumes traded through the Tsukiji is falling (change at network level): “Ten years ago the proportion going through the market was in excess of 70 per cent...now it’s down to 63”. (2a)

Explaining this trend the respondent says that the fishmarket and direct distribution has different functions, and different resources are utilised in the two distribution channels. In short, the fishmarket has it advantages when a customer wants a variety of species, whereas direct distribution is favoured when it comes to large orders (sensemaking at network level): “Well, the [retailers] are also utilising the market. They’re trying to get the best out of the market as well as out-of-market transactions, so they are selective. The reason why they come to the market is that they will be able to access a large variety. But when they want something in a large volume at low prices they go outside the market. So they’re trying to be very selective and get the best out of both” (9).
2) Changing retail and restaurant structure

The number of small independent retailers in Japan is falling. Retailers merge or they are forced to go out of business. These type of retailers traditionally get their fish at the fish market: (change at dyad level): “For one thing the so-called retailers are disappearing from the market. Consumers no longer go to the fish store or fish retailer, but prefer to go to the supermarket” (3). “In Japan there are many small retailers, so-called mom and pop shops There were many of these in Japan before, but recently they have disappeared and the retailers have become merged” (8).

Further, there are changes facing the Japanese restaurants. Traditionally fresh salmon has been used for sushi by small, family-owned, high-end sushi restaurants. A new type of restaurants, mid-range family restaurants, is now taking over the market (change at network level) When they’re dining out, consumers used to visit the sushi bar but now they go to the family restaurant”. These prefer to buy directly (change at dyad level): “We find that the family restaurants and supermarkets are now inclined to conduct direct transactions, especially when it comes to products like salmon” (6).

The main reason for wanting to buy directly is that they have lower prices than high-end restaurants, and demand cheaper salmon to uphold their profits (sensemaking at dyad level): “The reason for that is because they can enjoy a lower price dining out in the so-called family restaurants. (4). This type of restaurants have a pricing policy which is easier for the customers to understand, and they offer stable quality (sensemaking at network level): “In the so-called family restaurants, you find that the prices are very clear and easy to understand. But when it comes to sushi bar, you don’t really know what the final price is going to be and each single dish is quite expensive. The price of sushi changes depending on the day, and the fish quality changes by season. The consumers dislike this and have now shifted to the so-called family restaurant chains” (5a).

3) Creating new functions to face challenges

To meet these challenges, the Tukiji market is changing its strategy (change at actor level): ”We are trying to reactivate the market, and this is a nation-wide effort that has been made by all the markets in Japan” (10). The Tsukiji now targets retailers and supermarkets (change at network level): “We are addressing the major retailers and supermarkets” (11).
This further implies changes at dyad level as Tsukiji now seeks to offer new functions for retailers such as repacking and storage facilities: “[We are] addressing the needs of the major retailers as well as supermarkets, and we are trying to convince them to come to our market. For example, supermarkets have many retail outlets, and they have to sort out the produce that they have procured to distribute to the individual stores. They want space, and previously they have not had space within the market which allows them to sort the goods before they are transported. In the leading markets in Japan, they provide space for the retailers. This is like a distribution centre within the market and the retailers can use this space in order to sort out their purchase before shipping out to their outlets” (12). To create these functions the entire Tsukiji market will move to new premises within 2013 (change at actor level). This is discussed in detail in the next section.

This new strategy represents a new era for Tsukiji (sensemaking at actor level): “We believe that it is best to move to new quarters and to open the path to create a new era, so to speak” (36). One of the main reasons why this move is necessary is the need for improved traceability and quality (change at dyad level). For instance, traceability is not sufficient in the present location: “We have issued instructions to place priority on traceability because there are sometimes very malicious operators who fabricate the place of origin. Clams that have come in from North Korea have been mislabeled intentionally as Japanese. The Japanese Government and Tokyo Metropolitan Government conducts market inspections. For violations we issue a penalty, sometimes we take criminal action. We believe that conducting traceability measures is one means by which to restore the faith in the market. The Japanese public is not really concerned about traceability for their everyday fish. However, when it comes to the high-end restaurants and sushi bars it is important to provide information about origin, because that can be of benefit to their business. Tuna for example, whether it’s from Mexico, Italy or Australia is an important piece of information that the sushi bar wants to provide to their customers. When food consciousness arises I think traceability will be more common” (43, 44).

Quality control will also be improved with the moving of the market (change at dyad level): “Now we have refrigeration equipment installed in two places, [but] we have tuna auction, live fish and shrimp. With one building, we will have temperature control conducted throughout the building. The space given to each of these intermediate wholesalers will be larger than it is today. Sanitation measures are taken, as well as
temperature control” (23). The current facilities represent a sanitary problem (sensemaking at actor level): “It is very difficult in the current situation. We have been overcome with a sense of crisis. It is already 70 years since the Tsukiji Market was established. It was opened 1935. The building conditions are poor and sanitary hygiene presents a problem too. We’re very concerned about sanitary hygiene. Space shortage is a problem too. If we get more space we will be able to improve on sanitation. That is why we will move to Toyosu which will be 1.7 times this space” (18).

4) Intermediaries resist change

The decision to move the Tsukiji is resisted by the intermediary wholesalers (change at actor level): “There are about 800 outlets that are currently accommodated here in Tsukiji. However there are intermediate wholesalers that will not be moving to Toyosu. They do not want to move…One of our serious concerns is how we are going to support the intermediate wholesalers. There are six organisations involved in the discussions. And five are supporting the move to Toyosu. There is only one organisation that is resisting and that is the organisation of the intermediate wholesalers” (33). Intermediate wholesalers are increasingly finding it difficult to survive (change at dyad level): “The intermediate wholesalers at Tsukiji have a very poor business performance now” (31). Hence, the number of intermediate wholesalers operating at Tsukiji is falling (change at network level): “Every month we find that two of the 800 are failing, going bankrupt or going out of business. This means that 25 companies each year are withdrawing from Tsukiji, because the changes in the distribution system has really hit them hard” (30).

One of the reasons why they go out of business is related to age. These companies are mainly small, family-run businesses where the young generation is not willing to take over the business (sensemaking at actor level): “The intermediate wholesalers are usually family businesses. And it is very difficult for them to survive and make a profit. And also they are becoming more elderly and they find it difficult to find successors” (32). Another reason is the increasing direct distribution outside Tsukiji (sensemaking at network level): “Because they believe that even if they move to Toyosu, they cannot find a bright prospect ahead of them. Tsukiji’s our role in the distribution of produce will deteriorate in the future” (35).
Boxes C and E: From “Now” to “Future”

Looking at boxes C (what will happen) and E (why will it happen), the respondents' comments in this section can be grouped into two main themes: 1) Moving Tsukiji to the new location and 2) The future role of the fish market.

1) Moving Tsukiji to the new location

In the interview the General Director was concerned with the challenges facing the Tsukiji, and how they should deal with them. His responses analysed below in terms of future changes (boxes C and E) are therefore related to current changes (boxes B and D) discussed in the section above, i.e. he is making changes in the current market structure to accommodate for future changes which he perceives.

Several of the changes he describes are related to the decision to move Tsukiji to a new location. During the interview he presented drawings and plans showing the new infrastructure of Tsukiji (change at actor level): “In five years time we’re going to move…The market will be opened in 2013”. (13). “At Toyosu [the new location] we will not follow the old patterns. It will be entirely different” (22).

On the dyad level, moving Tsukiji (change at actor level) represents changes in resource ties between actors at the Tsukiji and their business partners found outside the market, most notable retailers. Examples of such resource ties are better distribution and stable supply: “A lot of produce is gathered at the market from around the nation. So there are regions in which certain produce cannot be produced at a certain time of the year. However this produce can be produced at another area, and we are able to provide a stable supply throughout the year. If the retailers have a direct transaction with a producer in a certain region, depending on the season they will not be able to enjoy a stable supply. However at the market we are able to provide that stable supply. So that’s one function” (16). The move further means increased storage capacity: “At Toyosu we will have adequate space to accommodate a distribution centre, so that we will be able to provide space for the retailers and supermarkets” (15). It also represents improved processing, filleting, packaging and transport: “There will be an elevated road, like a highway. On the second floor we will have distribution and sorting sections for the supermarkets. And here we have a space which will be provided for lorries. In Tsukiji, we have a lot of truckloads coming in and then going out to the local community. We call it transfer shipment. In
another words shipments for Tsukiji and then transferred to Yokohama for example, and that we refer to as transfer shipment. And that function will be accommodated here. And here, this is to serve the retailer and also for the sorting… And we have a processing, packaging facility here” (24).

The new Tsukiji will provide better facilities for local retailers which are presently found in the “outer market”, i.e. the shops located within Tsukiji’s proximity, but not regarded as part of the official market (change at dyad level): “We’re going to build a garden on the rooftop, that’s the third floor. This is where we are going to accommodate the restaurants and small stores. On the second floor we will have a retail outlet” (29).

The decision to create a new market has been a lengthy process implied lengthy process, involving rounds of negotiations and discussions with the present actors (change in actor bonds) (27). Giving details, he explains that “we have had discussions with these six organisations…. The representatives of the six organisations have been with us and there has been a council which has been formed with the Tokyo Metropolitan Government and the discussions have been conducted for five years now. Q: Has the initiative come from you, or from the users? A: There is a section within the market that is called the new market development section, and they have built the concept. And of course we have engaged construction consultant as well. In the beginning we had thought about the basic concept of what kind of a market we want to build. And the design has been reviewed many times” (26).

The director general believes that moving Tsukiji will also strengthen Tsukiji’s position as one of Tokyo’s leading tourist attractions: “Apart from the second and third floor, we will have this yellow-shaded area for tourist facility. So there will be a lot of retail outlets and restaurants for tourists. The general public from the Tokyo region as well as overseas tourists can come here and enjoy the feeling of the market. In the current market, we have a space for the professionals so to speak, and we do not have a separate space to accommodate tourists. So it has presented a very serious problem. But in the new market we have space reserved for the tourists. If they want to go on a tour, we will have a corridor for the observers, and they will be able to see what’s happening from above. We need to separate the tourist facility from the market. Otherwise we will not be able to maintain sanitary and hygiene” (29a). This can be seen as a network change because the changes concern numerous relationships between private consumers and the actors at Tsukiji.
Explaining these changes, we see that several of the sensemaking devices are found at the actor level. For instance, the move is necessary because the actors needs more space (14). But the changes discussed regarding moving Tsukiji analysed in box B and C (increasing direct distribution, etc.) could also be seen as sensemaking devices regarding future changes.

2) The future role of the fish market

This respondent has given consideration to the future role of the fishmarket. Obviously he will play a major part in this development being the director of the market. Not surprisingly, he believes that there will be a place for Tsukiji in the future (sensemaking at network level): “I do not believe it will [change] entirely in a short timeframe” (40). But the fish market will have a diminished role compared to its present function (change at network level): “Produce that goes through the traditional market has an additional cost. And hence direct distribution from the producer to the local community is something which is being recommended even by national policy. Which means that distribution going through the fishmarket will decline even further” (37). He believes that only the larger fishmarkets such as Tsukiji will survive: “There are 80 markets around the nation. All of these markets are facing difficulties. There are small markets which have had to close down and be integrated into larger markets. Which means that only the larger markets can survive in the future. Tsukiji will be able to survive” (17). Large retailers will increasingly buy directly from the primary wholesalers, whereas small retailers will still use the intermediate wholesalers: “When the transactions are limited to small quantities, the retailers will come to the intermediate wholesalers. When it comes to large transactions, they will have to obtain a license to be authorized buyers because only authorized buyers can buy from the wholesalers. For transactions exceeding 200 million yen annually they are required to obtain this license” (25).

One explanation for this is that the Government wants cheaper food prices in Japan. Even though the current market structure is supported and regulated by the Government, the fishmarket will not be protected by the Government in the future (sensemaking at network level): “From the Government’s perspective there have been measures taken to invite structural reform, in other words liberalisation. For the benefit of the general public, the
Government wants the prices of food to be controlled. The Government is no longer protecting the market, rather evading it” (38).

The fishmarket will retain some functions as it ensures variety and good quality, which is a vital part of Japanese food culture (sensemaking at network level): “Q: Do you think that the fishmarket will disappear in the future? A: If we are going to Americanize, in terms of capitalism that could be…. When it comes to food and sanitary hygiene, the Japanese public is very sensitive. Japanese food is a meal which incorporates various foods. Thereby the market functions will not change entirely in the short run. I was talking earlier about the various roles of the market such as pricing, food hygiene inspections and market monitoring. Further, the Government is monitoring of our practice, related to pricing as well as to sanitary hygiene. Because of this the we believe that the general public will still be supportive of the role played by the market, even though there this represents a cost” (41, 42). Here he makes an interesting observation regarding the future of the fishmarket, as he talks about distribution change in terms of “Americanize” and “capitalism” in the beginning of this quote. Clearly, he regards Japanese food culture as something in opposition to Western culture. As long as Japan has a distinct food culture, there will be a fishmarket.

7.5.4 Intra-case analysis of Case 5

Table 7.8 shows a thematic analysis of the issues identified in the extended dottograms:

<table>
<thead>
<tr>
<th>Boxes B and D</th>
<th>Respondents: Marukawa Tsukiji Director General</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common themes:</td>
<td>Increasing direct distribution</td>
</tr>
<tr>
<td>1) Increasing direct distribution</td>
<td>Increasing direct distribution</td>
</tr>
<tr>
<td>2) The fishmarket is still important</td>
<td>The fishmarket is still used Creating new functions to face challenges Intermediaries resist change</td>
</tr>
<tr>
<td>Other themes:</td>
<td>Changing retail and restaurant structure</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Boxes C and E</th>
<th>The future if the fishmarket</th>
</tr>
</thead>
<tbody>
<tr>
<td>The fishmarket will survive.</td>
<td>The future role of the fish market Moving Tsukiji to the new location and</td>
</tr>
<tr>
<td>Other themes:</td>
<td>Direct distribution evident</td>
</tr>
</tbody>
</table>

Table 7.8: Comparing themes across respondents in Case 2
7.5.4.1 Comparing the extended dottograms: Box B and D

Both respondents identify the trend towards more direct distribution. Marukawa gives the example that one of their biggest customers is now buying directly, but the Tsukiji respondent has much more detailed and richer analysis of how this change manifests itself and what it means for the Tsukiji actors and their connected relationships. Both respondents argue that it is mainly the large retail chains which buy directly. The smaller ones will still use the fishmarket. Marukawa says that most of his fish is still sold through the fishmarket, whereas Tsukiji acknowledges that direct distribution represents a considerable threat to the current structure. This respondent also gives the richest explanation of how Tsukiji is going to meet this challenge by creating new functions for the retailers. The Marukawa respondent also mentions this; he says that he may start processing and filleting themselves, and they may start to import. But this is not dealt with in great detail. The Tsukiji respondent uses much of the interview to discuss how Tsukiji will move to new premises in order to create these functions. Surprisingly, this move is not mentioned at all by the Marukawa respondent. One would assume that he would be involved in this process as he is one of the seven large primary wholesalers at Tsukiji, and that the wholesalers have been consulted in this process according to the Tsukiji respondent. This reinforces the view that he is mainly concerned with day to day activities, and has given less consideration to future challenges. Maybe his answer, “Nothing to say”, to the question how he feels about this situations sums up some of this indifference, whereas the Tsukiji respondent seems to face the challenges head on.

7.5.4.2 Comparing the extended dottograms: Box C and E

Both respondents believe that the fishmarket will survive in the future. There will always be a need for the fish market because small wholesalers are still dependent on it. Both respondents argue that the fishmarket ensures variety and good quality. But the most interesting part of the comparison here is the total lack of reference to the planned move of the Tsukiji.

7.5.4.3 Brief concluding comments

The director has a much broader perspective on changes than the Marukawa respondent. This may indicate that an actor’s network picture is dependent on its network position, which has been suggested analysing the preceding cases.
This case is very much a case of Tsukiji moving to a new location. The Director General argues that the new Tsukiji will take up functions believed to be attractive to the retailers. This move is a response to increasing direct distribution, and Tsukiji has no alternative if it wants to survive. This analysis may suggest that an actor seeks to achieve change by taking up functions which are as attractive to other actors in the network. But this change is resisted by the intermediate wholesalers. In order to change the network, the Director General must establish a common frame of reference which the intermediate wholesalers will share. Thus, there seem to be some relationship between network change and network picture amalgamations.

Having compared the dottogram within the cases, the next Chapter 8 will present a comparison between the cases; an inter-case analysis.
Chapter 8: Inter-case analysis

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8.1 Introduction

Chapter 7 presented an intra-case analysis, comparing the dottograms within the cases. This chapter will present an inter-case analysis, looking at changes across the cases to identify similarities, and if possible a pattern in how actors understand and adapt to change in networks. This is what Eisenhardt (1988) refers to as searching for cross-case patterns. Having developed the dottogram as a research tool and used this tool toanalyse changes discussed by the respondents, a pending exercise is therefore to compare all the dottograms. This will be done at two levels: comparing the initial dottograms to get an overview of how changes are understood, and then comparing the extended dottograms to get a richer and more detailed picture. Towards the end of the chapter, seven propositions for change will be developed.
8.2 Comparing initial dottograms between the cases

A distinction should be made to decide on what level these comparisons should be done. The most obvious way is to compare the dottograms on the levels presented in this picture (see chapter 7), i.e. the exporter level, the importer level and so on:

Some concerns should be raised when comparing the initial dottograms: Although the majority of interviews lasted about 1.5 hours, some of the interviews were short (for instance the interviews with the two secondary wholesalers) and some were lengthy (the interview with Norway Salmon). One could argue that more changes can be identified in lengthier interviews where respondents have better time to elaborate. Is it then possible to compare these dottograms? The transcripts indicate that lengthier interviews do not necessarily represent more changes identified. For instance, the interview with the Director General at Tsukiji is very rich in details, but when analysing his responses he does not cover an equal number of changes. This is also evident from the interview with Shoitachi. Even though it lasted about two hours he does not identify a great number of changes.

Fig. 8.1: Aggregate network
It could further be argued that although the interviews are equal in length, several of the
interviews are conducted using an interpreter. This means that valuable time is lost in
translation. Looking at the interviews where an interpreter is used, there are fewer dots
here than in the interviews conducted in Norwegian or English without an interpreter. This
may indicate that there are fewer changes covered, and this should be taken into account
when comparing the dottograms. However, to ensure credibility in Guba and Lincoln’s
(1994) terms, it was attempted to repeatedly probe the respondents on issues from several
perspectives in order to get all their perceptions and descriptions of changes on record.

Finally, when comparing the dottograms it is tempting to compare dot by dot. Even though
each dot represents one change, these changes could vary in their impact. For instance, the
decision to move the Tsukiji fishmarket is a profound change, but it is only represented
with one dot in the dottogram of the General Director of Tsukiji. Other changes with
relatively less impact, for instance a person leaving the company as is the case in Supreme
Seafood’s dottogram, is also noted by a single dot. As such, the dots represent changes of
varying intensity and impact.

An important question is therefore: Are the dots comparable? One must remember that the
dots should only be seen as a visual representation of change density: A great number of
dots equal a great number of changes. This enables comparison between cases. For
instance, at a glance it is evident that there is a lot of change going on in Supreme
Seafood’s network compared to Norway Salmon’s as the Supreme Seafood dottogram has
considerably more dots than Norway Salmon’s (see fig. 8.2 and 8.3 below). However, the
dottogram does not say anything about change intensity, i.e. the impact of the change. A
similar discussion was raised concerning Model 1 where changes were initially classified
as radical or incremental. This distinction was later questioned because the definition of
what is a radical vs. incremental change may vary according to the respondent’s
perception. For instance, for one company the hiring/firing of an employee is not a radical
change, but for another company such a change may be radical if the person is the
managing director. In this study this is illustrated by the move of the Tsukiji market to a
new site, discussed in detail by the Director General. The respondent uses the main part of
the interview to discuss why this is necessary and its implications. One could argue that
this is a radical change. But this is barely referred to by the secondary wholesalers and it is
not mentioned at all by the primary wholesalers.
Thus, the dots only represent an overview or a simplified analysis. A more detailed analysis can only be attempted when comparing the extended dottograms. Such an analysis will indicate “what is behind the dots”, i.e. whether it is possible to say something about change intensity. For instance, the large number of dots found in the Supreme Seafood Norway (fig. 8.3) and Supreme Seafood Japan (fig. 8.5) dottograms may be seen in relation to the merger between Supreme Seafood, Global Salmon and Rocky Coast, which has had a considerable impact on the network in which Supreme Seafood is embedded.

### 8.2.1 Comparing initial dottograms: The exporter level

![Fig. 8.2: Norway Salmon’s initial dottogram](image)

![Fig. 8.3: Supreme Seafood Norway’s initial dottogram](image)

At first glance there seems to be little similarity between the two dottograms above. Supreme Seafood Norway has a much richer description of changes than Norway Salmon. This is particularly evident concerning current changes related to box B. The respondent uses mainly sensemaking at actor level to explain these changes. Norway Salmon’s description of changes is more limited. But there is a similarity in that both actors are relatively more concerned with dyad and network changes in box B than actor changes. And relatively speaking they use sensemaking at actor level to explain these changes.

Both actors are also concerned with future changes (box C). They see changes in their relationships to other actors (dyad level) and in the network. They do not see future changes at actor level to a great extent. There is also a pattern in that the exporters use
sensemaking at actor level (mainly Norway Salmon) to explain these changes, and sensemaking at network level to explain future changes.

8.2.2 Comparing initial dottograms: The importer level

Again it is the Supreme Seafood dottogram which stands out. Here the respondent gives a rich account of changes at all three levels in box B. He is also very much concerned with future changes, at all three levels. Apart from Supreme Seafood’s dottogram the importers do not seem to be much concerned with future changes. Bluewater and the two Tokyo Fisheries respondents are mainly concerned with network changes, and they use sensemaking at network level to explain them. The importers are all mainly concerned with current changes at actor, dyad and network level in box B. Tokyo Fisheries (general manager), Supreme Seafood and Bluewater are similar in that they are merely concerned
with changes at dyad level. Bluewater, Supreme Seafood and Tokyo Fisheries (general manager) are similar in that they use both sensemaking at actor level and network level to explain changes.

8.2.3 Comparing initial dottograms: The primary wholesaler level

This level also includes the dottogram from the Director General of the Tsukiji fishmarket. Although he is not a wholesaler, he represents the actors at Tsukiji. Hence this level is the most appropriate place to include this dottogram.

There are apparently few similarities between these three dottograms. If we compare Karatsu and Marukawa, two of the primary wholesalers at Tsukiji, Karatsu discusses changes to a great extent in box B whereas Marukawa has few descriptions. There are more similarities regarding boxes C and E. Both respondents make few references to future changes. If we compare these two dottograms to the dottogram from the Director General of the Tsukiji market, he is more concerned with future changes than current changes. But
the changes he discusses are profound, for instance the one dot in the A column in box B represents the change of the market to a new location.

8.2.4 Comparing initial dottograms: The intermediate wholesaler level

This represents the dottograms from the two secondary wholesalers at Tsukiji and the processor Shoitachi. Although these two represents two completely different companies, the two secondary wholesalers are located at stalls in the fishmarket whereas Shoitachi has recently built a new processing plant outside Osaka, they both serve as an intermediate between the importer and the retailers, and also perform the same functions, i.e. collecting, processing and distributing fish.

These dottograms are similar in that they have little account of both current and future changes. The exception is Shoitachi who discusses change at dyad level. This interview
was lengthier than the other two interviews and these two may have produced a richer result if I had spent more time with the respondents. On the other hand, the Shoitachi respondent does not reflect over future changes, even though the interview is lengthy. I therefore assume that the dottograms are comparable.

8.2.5 Comparing initial dottograms: The retail level

These dottograms are more similar. All respondents describe several changes at the network level. Changes at dyad level are also discussed, notable by BCB. All three respondents use sensemaking at the network level to explain changes, and to a lesser extent changes at the dyad level. BCB and Asahi Retail also use sensemaking at actor level to explain current changes. The respondents are also concerned with changes in the future (box C). All three respondents see changes at network level, and they use sensemaking at network level to explain them.
8.3 Comparing initial dottograms at aggregate level

Looking at the dottograms level by level has indicated that there are great differences between the dottograms, and it’s difficult to draw conclusions. But if we group all the dottograms we may be able to identify patterns (fig. 8.17):

Fig. 8.17: A presentation of all initial dottograms identified in this study
Here an important observation can be made: Exporters and importers experience more changes than the primary wholesalers and intermediaries. This also seems to be the case for retailers. As such the “top” and the “bottom” layers have a richer description and seem to identify more changes than the middle layers. Another way to address this is to suggest that actors concerned with the fishmarket do not have as rich perceptions of changes as actors outside the market. In general, the sample appears to be more concerned with changes in box B (from past to present) than from B to C (from present to future).

This may suggest that the pressure to change comes from the exporters and the retailers. Both these types of actors have connections to actors in the network and other networks, and are able to make comparisons. For instance, Norway Salmon and Supreme Seafood have operations in a range of countries. This enables them to have a wider perspective on their network compared to companies which are embedded in an established distribution structure such as the fishmarket. The retailers have firsthand knowledge about market trends from direct contact with Japanese consumers. This is filtered to other actors in the network, all actors talk about increasing retail power and changes in Japanese customers taste. But not all actors can act on this information. Those who can have created new ties outside the traditional market, but actors stuck in the traditional network such as intermediate wholesalers and secondary wholesalers have difficulties adapting. They are reactive, whereas exporters and retailers are proactive. The interviews analysed in the cases in Chapter 7 suggested that primary wholesalers are taking up more and more functions resembling an importer; they buy directly from the exporters and they trade directly with the retailers. But if they are going to fully comply with the emerging trend towards direct distribution, they need to cut their ties to the intermediate wholesalers and create new ties to exporters and retailers. The analysis in Chapter 7 indicates that they are not ready or willing to do this. Hence, their propensity to change is low, even though they see the realities and have potential to change. It is the secondary wholesalers which are facing the biggest challenge here. They are small but numerous. They see themselves as dispensable, and they are also seen as dispensable by the primary wholesalers and the director general. They literally constitute the Tsukiji market. If the secondary wholesalers disappear, the Tsukiji will disappear.
8.3.1 Creating an aggregate initial dottogram

Having created an overview of the initial dottograms of the respondents (fig. 8.16), it is possible to summarise the dots for each box (BA= change at actor level in box B, etc.):

<table>
<thead>
<tr>
<th></th>
<th>BA</th>
<th>BD</th>
<th>BN</th>
<th>CA</th>
<th>CD</th>
<th>CN</th>
<th>DA</th>
<th>DD</th>
<th>DN</th>
<th>EA</th>
<th>ED</th>
<th>EN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway Salmon</td>
<td>1</td>
<td>7</td>
<td>3</td>
<td>1</td>
<td>5</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>14</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Supreme Seafood</td>
<td>11</td>
<td>15</td>
<td>24</td>
<td>0</td>
<td>2</td>
<td>9</td>
<td>29</td>
<td>2</td>
<td>12</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td>22</td>
<td>27</td>
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<td>7</td>
<td>14</td>
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<td>4</td>
<td>14</td>
<td>15</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>Supreme Seafood</td>
<td>5</td>
<td>14</td>
<td>7</td>
<td>4</td>
<td>10</td>
<td>11</td>
<td>21</td>
<td>1</td>
<td>3</td>
<td>5</td>
<td>3</td>
<td>6</td>
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<td>J</td>
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<td>10</td>
<td>2</td>
<td>6</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Bluewater</td>
<td>1</td>
<td>4</td>
<td>11</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>10</td>
<td>2</td>
<td>24</td>
<td>0</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Tokyo Fisheries, mark. manager</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>4</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Tokyo Fisheries, gen. manager</td>
<td>9</td>
<td>35</td>
<td>23</td>
<td>4</td>
<td>11</td>
<td>18</td>
<td>41</td>
<td>9</td>
<td>34</td>
<td>7</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>Karatsu</td>
<td>3</td>
<td>10</td>
<td>9</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>6</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Marukawa</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>5</td>
<td>0</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Tsukiji director</td>
<td>4</td>
<td>1</td>
<td>8</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
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<td>4</td>
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<td>1</td>
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<td>7</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Sec whs no 1</td>
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<td>0</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Sec whs no 2</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Asah Retail</td>
<td>3</td>
<td>6</td>
<td>6</td>
<td>2</td>
<td>0</td>
<td>3</td>
<td>5</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>BCB</td>
<td>1</td>
<td>11</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>6</td>
<td>5</td>
<td>1</td>
<td>4</td>
<td>1</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Maruaki</td>
<td>0</td>
<td>3</td>
<td>6</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>5</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>36</td>
<td>94</td>
<td>92</td>
<td>17</td>
<td>30</td>
<td>58</td>
<td>99</td>
<td>30</td>
<td>75</td>
<td>29</td>
<td>9</td>
<td>47</td>
</tr>
</tbody>
</table>

Table 8.1: Total number of changes identified by sample

This table represents the number of changes identified in each box, and this breakdown of numbers allows various representations of how the sample describes changes. Before this analysis is undertaken, it is important to remember that these dots are only simple visual representations of changes. A more detailed analysis of the relationship between the boxes can only be undertaken by comparing the extended dottograms. Having said that, quantifying the dots introduces some interesting observations. For instance, an aggregated dottogram for the total sample may be created (table 8.2):
Table 8.2: Aggregate initial dottogram by total number of changes

These numbers may then be used to produce the following dottogram (numbers are divided by 10 and rounded) for an analysis (fig. 8.18):

Comparing boxes B and D (changes from past to present) to C and E (changes from present to future) it appears that the sample is more concerned with current changes than future changes. Further, as indicated in box B, respondents have identified changes mainly at the network and the dyad level, and less at the actor level. This may indicate that the sample is more concerned with managing their current relationships and networks, and less consideration is devoted to the future. For future changes these are seen mainly at network level, less at dyad level, and least at actor level. Thus, future is about managing relationships and networks, not about people.

When explaining changes, the sample refers to changes at the actor level and network level, and to a lesser extent at dyad level. This pattern is a similar for both boxes D and E. There is also a similarity between boxes B and C in that the network and dyad level is
more used to describe changes than the actor level. Thus, *what* is happening is about managing dyads and networks, whereas *why* it is happening is about people and networks. The respondents tend to ascribe the reasons for change to the actor dimension (themselves and other actors) and the network dimension (something which is happening “out there”, in the greater marketing environment). Lesser explanation is given to the dyad dimension (their relationship to other actors). This may be a coding issue, but it is tempting to suggest that respondents have an atomistic view commonly found in strategy and management literature (e.g. Achrol et al., 1983; Kotler and Keller, 2006; Porter, 1985; Stern et al., 1989) discussed in the first part of the literature review, suggesting that change is something which can be attributed to the decisions by oneself and others in response to changing market conditions. The interaction approach and the network approach discussed in the latter part of the literature review (e.g. Håkansson and Snehota, 1995; Håkansson, 1982) however suggest that change is something which happens in relationships between companies, and that the source of change is to be found in the dyadic resource ties, activity links and actor bonds. Fig. 8.18 suggests that the sample does not share this view. However, an analysis of the extended dottograms will give further insight into how the sample explains the changes apparent in this study.

8.4 Analysing the extended dottograms: Past to present

The aggregate initial dottogram presented in table 8.2 says something about how the sample describes changes, and how it explains these changes. But it does not indicate how the boxes are connected. For instance, which of the 94 changes at dyad level (box BD) are explained by the 30 sensemaking devices at dyad level (box CD)? Similarly, do the 99 changes used as sensemaking at actor level (box DA) relate to box BA, BD or BN? Thus, the picture is not complete before an analysis of what sensemaking devices are used to explain what changes.

To answer this question, it is possible to conduct an analysis of the various themes across the cases. In the intra-case analysis in Chapter 7 the changes identified were grouped into themes. These themes were then compared and analysed within each case. Building on this thematic analysis, a table may be created taking all the themes that were identified during the intra-case analysis and allocate the relevant changes identified under each heading. As an illustration, throughout Chapter 7 the theme “Increasing direct distribution” was identified as a common denominator for a number of changes discussed by the majority of
respondents. Some respondents described changes that could be located to a several boxes, some discussed changes located to only one or two of the twelve boxes. For instance, Norway Salmon’s extended dottogram (see fig. 8.19 below) presented the following changes (Please note that these themes are related to current changes, i.e. boxes B and D. A similar analysis of boxes C and E will be conducted later in this chapter):

![Extended Dottogram](image)

In this extended dottogram, one change is located in box BA (“Exporter has created new positions within the company 13”), three in box BD (“New positions have improved cooperation 14” and “Improved resource ties 5a, 16”), two in box BN and so on. Another way to illustrate this is the following table 8.2:

<table>
<thead>
<tr>
<th>Respondent</th>
<th>BA</th>
<th>BD</th>
<th>BN</th>
<th>DA</th>
<th>DD</th>
<th>DN</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Norway Salmon</strong></td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

Table 8.3: Changes located to boxes for Norway Salmon’s respondent for one particular theme by numbers

Using the same method on all the extended dottograms, the following table could be produced (table 8.4 next page):
<table>
<thead>
<tr>
<th>Respondent</th>
<th>BA</th>
<th>BD</th>
<th>BN</th>
<th>DA</th>
<th>DD</th>
<th>DN</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Increasing direct distribution</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway Salmon</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Bluewater</td>
<td>1</td>
<td>10</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Asahi Retail</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Supreme Seafood N.</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supreme Seafood J.</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Karatsu</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td><strong>2. whs (1)</strong></td>
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<td><strong>3. Network more integrated</strong></td>
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<td><strong>5. BCB only buys directly</strong></td>
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<td><strong>7. Increasing retail power</strong></td>
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<td>Supreme Seafood N.</td>
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<td>8. Changing retail structure</td>
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<td>9. Approached by a large retail chain</td>
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<td>10. Growing no. of large retailers</td>
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<td>12. Intermediaries resist change</td>
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<td>14. From whole fish to fillets</td>
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<td>15. Possible filleting in Norway rejected</td>
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<td>17. Chilean salmon gaining market share</td>
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<td>18. Merger between FS, Supreme Seafood and PF</td>
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<td>10</td>
<td>2</td>
<td>2</td>
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</tr>
</tbody>
</table>

| 19. Merger: New structure creates conflict |
| Supreme Seafood N | 1 | 5 | 5 | 10 | 1 |

| 20. Merger: New ties created |
| Supreme Seafood N | 2 | 1 |
| Karatsu | 3 | 1 |

| 21. Merger: Access to new resources |
| Supreme Seafood N | 2 | 3 |

| 22. Merger: Improved network position |
| Supreme Seafood N | 2 | 3 |

| 23. Merger: Change in volume of operations |
| Supreme Seafood N | 4 | 2 | 2 | 2 |

| 24. Merger: New role for processors and distributors (new ties) |
| Supreme Seafood J | 1 | 5 | 2 | 3 |

| 25. Cooperation, new model old model |
| Norway Salmon | 1 |

| 26. Access to Norway Salmon’s network |
| Bluewater | 1 |

Table 8.4: Changes located to boxes BA, BD, BN, DA, DD and DN, total sample

Table 8.4 indicates that 26 themes have been identified during the analysis of the extended dottograms.
8.5 Six stories of change

Looking at these 26 themes, they can be further grouped into the following six megatrends concerning changes from past to present:

1. Increasing direct distribution
2. The fish market is becoming less powerful
3. Retailers are becoming increasingly powerful
4. The fish market still has a role to play
5. The merger between Global Salmon, Rocky Coast and Supreme Seafood
6. The role of salmon

These themes were identified by a visual clustering of the 26 themes (table 8.5):

<table>
<thead>
<tr>
<th>Theme</th>
<th>Megatrend</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Increasing direct distribution</td>
<td>x</td>
</tr>
<tr>
<td>2. Fish market less powerful/less volume from FM</td>
<td>x</td>
</tr>
<tr>
<td>3. Network more integrated</td>
<td>x</td>
</tr>
<tr>
<td>4. Reduced no. of suppliers</td>
<td>x</td>
</tr>
<tr>
<td>5. BCB only buys directly</td>
<td>x</td>
</tr>
<tr>
<td>6. Irritated with the FM</td>
<td>x</td>
</tr>
<tr>
<td>7. Increasing retail power</td>
<td>x</td>
</tr>
<tr>
<td>8. Changing retail structure</td>
<td>x</td>
</tr>
<tr>
<td>9. Approached by a large retail chain</td>
<td>x</td>
</tr>
<tr>
<td>10. Growing no. of large retailers</td>
<td>x</td>
</tr>
<tr>
<td>11. Fish market is still present/Still dependent on the fish market</td>
<td>x</td>
</tr>
<tr>
<td>12. Intermediaries resist change</td>
<td>x</td>
</tr>
<tr>
<td>13. Creating new functions</td>
<td>x</td>
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<tr>
<td>14. From whole fish to fillets</td>
<td>x</td>
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<tr>
<td>15. Possible filleting in Norway rejected</td>
<td>x</td>
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<tr>
<td>16. No. salmon competitive but expensive</td>
<td>x</td>
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<tr>
<td>17. Chilean salmon gaining market share</td>
<td>x</td>
</tr>
<tr>
<td>18. Merger between FS, Supreme Seafood and PF</td>
<td>x</td>
</tr>
<tr>
<td>19. Merger: New structure creates conflict</td>
<td>x</td>
</tr>
<tr>
<td>20. Merger: New ties created</td>
<td>x</td>
</tr>
<tr>
<td>21. Merger: Access to new resources</td>
<td>x</td>
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<tr>
<td>22. Merger: Improved network position</td>
<td>x</td>
</tr>
<tr>
<td>23. Merger: Change in volume of operations</td>
<td>x</td>
</tr>
<tr>
<td>24. Merger: New role for processors and distributors (new ties)</td>
<td>x</td>
</tr>
<tr>
<td>25. Cooperation, new model old model</td>
<td>No immediate fit</td>
</tr>
<tr>
<td>26. Access to Norway Salmon’s network</td>
<td>No immediate fit</td>
</tr>
</tbody>
</table>

Table 8.5: Visual clustering of main themes (past to present)
These stories will now be examined in detail, looking at the changes behind the dots. For instance, building on table 8.3, Norway Salmon’s changes will look like this (table 8.6):

<table>
<thead>
<tr>
<th>Respondent</th>
<th>BA</th>
<th>BD</th>
<th>BN</th>
<th>DA</th>
<th>DD</th>
<th>DN</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increasing direct distribution</strong></td>
<td></td>
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</tr>
<tr>
<td>Norway Salmon</td>
<td>Exporter has created new positions within the company (13)</td>
<td>New positions have improved cooperation (14)</td>
<td>General trend towards direct distribution, bypassing fishmarket (1, 5)</td>
<td>Retailers are adopting new purchasing strategies (2)</td>
<td>Wanted strong ties to retailers (15)</td>
<td></td>
</tr>
</tbody>
</table>

**Table 8.6: Changes located to boxes for Norway Salmon’s respondent for one particular theme: Description of changes**

Looking at the changes behind the dots, the boxes will look like this for story no. 1 (table 8.7):

**8.5.1 Story no. 1: Increasing direct distribution**

<table>
<thead>
<tr>
<th>Respondent</th>
<th>BA</th>
<th>BD</th>
<th>BN</th>
<th>DA</th>
<th>DD</th>
<th>DN</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increasing direct distribution</strong></td>
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<tr>
<td>Norway Salmon</td>
<td>Exporter has created new positions within the company (13)</td>
<td>New positions have improved cooperation (14)</td>
<td>General trend towards direct distribution, bypassing fishmarket (1, 5)</td>
<td>Retailers are adopting new purchasing strategies (2)</td>
<td>Wanted strong ties to retailers (15)</td>
<td></td>
</tr>
<tr>
<td>Bluewater</td>
<td>Needs to be clear and concise in his marketing activities (28)</td>
<td>Actor bonds:</td>
<td>Activity links:</td>
<td>Increasing direct distribution.</td>
<td>- Closer rels. to retailers and processors (7,8)</td>
<td>- Promotion, campaigns (18)</td>
</tr>
<tr>
<td></td>
<td>- New positions have improved cooperation (14)</td>
<td>- Strengthened ties to Norway Salmon (23,24)</td>
<td>- Increasing direct distribution.</td>
<td>- 50/50 now but slowly changing (4)</td>
<td>- More commitment (meetings, discuss, cooperation) (39)</td>
<td>- Promotion, campaigns (18)</td>
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<tr>
<td></td>
<td>- Improved resource ties (5a, 16)</td>
<td>- More commitment (meetings, discuss, cooperation) (39)</td>
<td>Resource ties:</td>
<td>- Increasing direct distribution.</td>
<td>- Friendlier atmosphere (12,41)</td>
<td>- Retailers demand traceability (28a)</td>
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<td>Resource ties:</td>
<td>- Better access to information (37)</td>
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<td>Fresh salmon, increased volumes (11)</td>
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<td>Other importers are doing the same (trend in Japan) (5)</td>
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<tr>
<td>Company</td>
<td>Motivation</td>
<td>Benefits</td>
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<tr>
<td>Asahi Retail</td>
<td>- Improved sales and product strategy (7) - Needs to improve his strategy (10)</td>
<td>- Better access to information (2) - Closer ties, better communication openness, less conflicts (4, 16) - More commitment, closer ties to the supplier (12)</td>
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<tr>
<td>Supreme Seafood Norway</td>
<td>- Direct distribution - slowly emerging (36) - More direct contact with retailers (32) - More integrated network (31)</td>
<td>- Traceability is important (3, 6) - Needs stable supplies and superior quality (1) - Closer ties to supplier and access to information (makes planning easier) (8) - Closer commitment and communication (enables sales planning) (11)</td>
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<tr>
<td>Supreme Seafood Japan</td>
<td>Importers are more powerful now than in the FM system (54)</td>
<td>- Supreme Seafood gets higher prices selling directly to the supermarkets (21) - Move to DD because of higher profits (18) - Too many layers are costly (2) - Actors wants to reduce costs</td>
<td>Global competition (3)</td>
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<tr>
<td>Karatsu</td>
<td>More difficult for Karatsu to compete (7)</td>
<td>- Large retailers are increasingly buying directly (5) - Less volumes sold through FM (6) - Increasing direct distribution (3a) - Japanese retailers not concerned about brand, only price and costs (44) - Retailers needs to save costs (8a) - Restaurants and retailers may buy directly from Karatsu, because this is cheaper (2) - Japanese economy in decline (43) - Japanese market demands cheaper products (8)</td>
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<tr>
<td>2. whs (1)</td>
<td>- Difficult for secondary wholesalers to get profit - Difficult for sec. wholesalers to survive</td>
<td>- Increasing direct distribution - Sees less advantage for the fish market - Restaurants and retailers may buy directly from Karatsu, because this is cheaper (2) - Japanese economy in decline (43) - Japanese market demands cheaper products (8)</td>
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<tr>
<td>1. whs (2)</td>
<td></td>
<td>Increasing direct distribution - Restaurants and retailers may buy directly from Karatsu, because this is cheaper (2) - Japanese economy in decline (43) - Japanese market demands cheaper products (8)</td>
<td></td>
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<tr>
<td>Tokyo Fisheries (M)</td>
<td>Tokyo Fisheries used to be a middle wholesaler at</td>
<td>- Change towards direct distribution in Japan (45) - 50/50 today (9) - Defends direct distribution because he needs to - Direct distribution removes the need for a wholesaler</td>
<td></td>
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</tr>
</tbody>
</table>
| Maruaki                                                                 | Tsukiji, but increasingly started to import directly (30) | - 70/30 years ago (10)  
- Also sells directly to retailers (6)  
- Direct distribution is growing (14) | survive (33)  
- Hired a new manager at the Tokyo Office (31)  
- Seems logical (36)  
- Direct distribution seems like a sensible thing (32) | (20) - Direct distribution resembles Western distribution practices (35) |
|------------------------------------------------------------------------|----------------------------------------------------------|------------------------------------------------------------------|--------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| Marukawa                                                               | Maruaki                                                  | - 50/50 direct distribution (8)  
- Used to buy all his fish at the FM. Increasing direct distribution (12)  
- FM less powerful (24)  
- FM is mainly used for live fish. Farmed fish is distributed outside the market (10) | - Buys Atlantic salmon directly because he needs good quality and stability (11)  
- DD ensures traceability (16) | - European and American trend coming to Japan (25)  
- FM incurs costs. DD is cheaper (14)  
- Need to reduce the no. of layers (15)  
- Japanese customers are concerned with traceability (17)  
- Japanese recession, less buying power (21) |
| Tsukiji gen.                                                           | Marukawa                                                  | Biggest single customer is buying directly (1)                   | Supermarkets don’t like that wholesalers doesn’t sell directly (15) | Only large retail chains can buy directly, because they are financially strong to take risks (12) |
| Network more integrated                                                | Bluewater                                                 | - Increasing direct distribution, less fish traded through Tsukiji (2)  
- The FM has actually expanded (1) | - Uses the FM to get variety of goods, uses DD when it comes to large orders (9) | - Bluewater, Norway Salmon and retailers more integrated (38, 40)  
- Ties to Norway Salmon strengthened, ties to other suppliers weakened (10, 15)  
- NSEC introduced (25) | - Norway Salmon wanted to find a partners in Japan (13)  
- New person in charge at Norway Salmon (23a)  
- Bluewater was willing to take risks (10) | - Relationship with Shoitachi helped accessing retailers (35) | - Bluewaters previous supplier bought by Norway Salmon (19)  
- Norway Salmons customer in Japan withdrew, Bluewater took its place (14) |

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Table 8.7: Story no. 1 - Increasing direct distribution

The themes identified in this table will now be analysed in terms of what is happening (boxes BA, BD and BN) and why it is happening (boxes DA, DD and DN). Throughout the analysis, some propositions will be developed in an attempt to say something about the relationship between perceptions and network change.

**8.5.1.1 What is happening? (boxes BA, BD and BN)**

Interestingly, if we look at the BN column (current changes at network level) all the respondents point to exactly the same trend: There is a change towards direct distribution in Japan. This means that all the respondents, exporters, importers, wholesalers and retailers, have the same perception of this change. Summing up the changes in the BN
column under this heading, we count 28 changes described. This means that about one third (28 of 92) of the changes at network level for the total sample are concerned with increasing direct distribution.

More specific examples of this change are more direct contact with retailers (as mentioned by Supreme Seafood Norway, Karatsu and Marukawa), less volume traded through the fishmarket (mentioned by Karatsu, the secondary wholesaler at Tsukiji and the Tsukiji General Director) and a reduction in the number of suppliers, for instance mentioned by Shoitachi and Asahi Retail.

The change towards direct distribution (change at network level), has an impact on the relationships. If we look at box BD, it is mainly the respondents in case 1 (Norway Salmon, Bluewater, Asahi Retail and Shoitachi) who talk about change at dyad level. In their view, direct distribution means more commitment, better communication, closer ties, more joint activities, increased volumes and stable supply. The other actors do not mention change at the dyad level at this point, but this does not mean that the dyads are not affected in their relationships. As we shall see below, and particularly concerning the Supreme Seafood merger, the change towards direct distribution has had an impact on these relationships as well.

Concerning change at actor level (box BA), there are not many changes discussed here. Norway Salmon has created new positions within the company, Bluewater has developed new marketing activities and Asahi Retail have changed their sales and product strategy, and now saves costs. In contrast, the respondents at the fish market find it increasingly difficult to survive (Karatsu and the secondary wholesalers).

8.5.1.2 Why is it happening? (boxes DA, DD and DN)

Above it was evident that the sample describes increasing distribution as the main change at network level affecting them. Does the sample have a common view of what causes this change? This seems not to be the case. If we look at box DA, sensemaking at actor level, actors in case 1 (“the Norway Salmon network”) have similar perceptions. They all point to the retailers’ need for traceability as one reason for bypassing the fishmarket. In the other four cases, there seems to be little in common between the actors. Supreme Seafood Japan talks about increasing direct distribution from a need to save costs, whereas Karatsu
says that direct distribution is appearing because retailers want cheaper products. But if we look at the retailers’ responses, BCB is clearly concerned with traceability. Maruaki also says that they are concerned with stability, traceability and quality, and this is best obtained with direct distribution. As we remember from the distribution flow described in chapter 7, the actors at the fishmarket repack the salmon a number of times, and information about producer, production date and country of origin is lost on the way.

If we look at sensemaking at dyad level (box DD) this is used by some actors, but not to the same extent as sensemaking at actor level. Asahi Retail for instance points to better access to information, Maruaki talks about traceability, stability and quality, and BCB also talks about information. All these actors are retailers, and they talk about changes in resource ties (information may be defined as a resource). Karatsu, one of the wholesalers, talks about reduced costs. This is also a change in resource ties as it has to do with the cost of salmon. Marukawa, the other wholesaler, sees this as a change in actor bonds as retailers are dissatisfied with wholesalers who do not sell directly.

In both cases there is a difference between what the retailers believe, and what the primary wholesalers think the retailers believe. The actors in case 1 have a more concise description of the retailers’ need for traceability, and Case 1 is characterised by more communication and commitment between the actors. As seen from the analysis in Chapter 7, Norway Salmon, Bluewater, Shoitachi and Asahi Retail meet regularly, they share information and have joint marketing activities. The primary wholesalers are in effect barred from this type of communication because the structure of the wholesale market means that the secondary wholesaler is the main point of contact with the retailers and restaurants.

If we look at sensemaking at network level (box DN) there is also a difference in the way the actors’ explain the change towards direct distribution. Bluewater says that this is a Japanese trend and other importers are doing the same, Tokyo Fisheries and Maruaki say that this is a Western trend now coming to Japan, and Supreme Seafood Japan says that this is a global trend. Supreme Seafood Norway argues that traditional distribution is ineffective and expensive. Karatsu, on the other hand, says that the Japanese economy is in decline and Japanese customers demand cheaper products. This point is also referred to by Maruaki.
Comparing these perceptions, there seems to be no clear, common explanation for the emergence of direct distribution between actors in the sample. If there is some tendency emerging from the data, it may be that the actors seem to explain changes from their own perspective, or from the perspective of actors close to their position in the network. For instance, Bluewater (an importer) talks about other importers, Supreme Seafood Norway (an exporter) talks about Japanese importers, Karatsu (a wholesaler) talks about the Japanese customers, Marukawa (a wholesaler) talks about the retailers, Maruaki (a retailer) talks about the Japanese consumers.

An emerging picture here seems to suggest that actors experience the same changes, but their way of explaining the change is dependent upon their position in the network. All the respondents point to exactly the same trend: There is a change towards direct distribution in Japan. This means that all the respondents, exporters, importers, wholesalers and retailers, have the same perception of this change. However, their explanation for why this trend is occurring differs to a great extent. For instance Supreme Seafood Japan talks about the need to saving costs, Karatsu says talks about retailers demand for cheaper products, BCB is concerned with traceability and Maruaki is concerned with stability, traceability and quality. This leads us to the following proposition:

**Proposition no. 1: Network pictures are dependent upon network position**

**8.5.2 Story no. 2: The fish market is becoming less powerful**

Looking at the changes behind the dots, the boxes look like this:

<table>
<thead>
<tr>
<th>Respondent</th>
<th>BA</th>
<th>BD</th>
<th>BN</th>
<th>DA</th>
<th>DD</th>
<th>DN</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fishmarket less powerful/less volume from FM</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shoitachi</td>
<td>Still uses FM for distribution (4)</td>
<td>Increasingly bypassing the fish market (3)</td>
<td>- FM has less product variety (2)</td>
<td>- FM is less powerful (1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asahi Retail</td>
<td>Tension with suppliers at the fish market (26)</td>
<td>Less volumes bought from fishmarket (28)</td>
<td>Dissatisfaction towards the fishmarket, cannot supply (29)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tokyo Fisheries (m)</td>
<td>FM is under pressure from direct distribution (18)</td>
<td></td>
<td></td>
<td>- FM was more suitable for the post-war situation (38)</td>
<td>- FM is old-</td>
<td></td>
</tr>
</tbody>
</table>
Table 8.8: Story no. 2 - The fish market is becoming less powerful

8.5.2.1 What is happening? (boxes BA, BD and BN)

This section can be seen as the continued effect of direct distribution: Increased direct distribution means less business for the fishmarket. Hence, a number of the arguments in favour of direct distribution discussed in the preceding section may be viewed as reasons for the downturn of traditional distribution.

In this section, the main trend is that the fishmarket is loosing ground to direct distribution: Shoitachi is increasingly bypassing the fishmarket; Asahi Retail buys less volume from the fishmarket; and Tokyo Fisheries says that the fishmarket is under pressure from direct distribution. This is a network change identified by all the respondents. At the dyad level,
the two retailers, Asahi Retail and BCB, refer to changes in actor bonds as there is growing tension and conflict in these relationships.

**8.5.2.1 Why is it happening? (boxes DA, DD and DN)**

The explanations as to why this is happening also have similarities. These four actors are increasingly dissatisfied with: Shoitachi argues that the fish market now offers less product variety, and it is becoming less powerful; Asahi Retail says that the fishmarket cannot secure stable supply; Tokyo Fisheries has a range of additional explanations why the fishmarket is used less, mainly concerned with inefficiency and cost; and Tokyo Fisheries and BCB both claim that the fishmarket fails to provide traceability for the retailers.

These perceptions are fairly similar, and they are shared between actors that have one thing in common: They have stopped buying or severely reduced their volumes from the fishmarket. In other words, the actors have changed their ties to the fishmarket for the same reasons. In the current context these actors only have experience from interacting with the fishmarket, not with each other. Apart from Shoitachi and Asahi Retail which have a relationship, the data does not indicate that there are ties between the other actors. Presumably, the actors have knowledge of each other and ties that are not covered in this study, but in this context it seems that the actors have made their judgements of the fishmarket based on their experience from trading with it. In the preceding section we saw that actors’ perceptions in a network were dependent on the degree of interdependence between the actors. Interdependent actors tended to share perceptions. This section has indicated that actors which are not interdependent (i.e. there are no known ties between them) may share similar perceptions if they have similar experience dealing with the same actor. Further, it seems that in networks where actors are more interdependent in terms of closer actors bonds, resource ties and activity links (this was a particular characteristic of case 1), there are similarities in how they explain these changes. In other words, shared perceptions seem to be a function of interdependence. In networks where actors are less interdependent, there is a greater variety between the perceptions.

This leads to the second proposition:

*Proposition no. 2: Network picture overlap is a function of the interaction intensity between actors.*
8.5.3 Story no. 3: Retailers are becoming increasingly powerful

Looking at the changes behind the dots, the boxes look like this:

<table>
<thead>
<tr>
<th>Respondent</th>
<th>BA</th>
<th>BD</th>
<th>BN</th>
<th>DA</th>
<th>DD</th>
<th>DN</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increasing retail power</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Supreme Seafood Norway</strong></td>
<td>- Better dialogue with retailers (38a)</td>
<td>- Volumes increased to retailers (47)</td>
<td>- Retailer becoming increasingly powerful (39a)</td>
<td>- Retailer is driving the change, wants to cut costs (39b)</td>
<td>- Retailer is becoming increasingly powerful (39a)</td>
<td>- Retailer becoming increasingly powerful (39a)</td>
</tr>
<tr>
<td></td>
<td>- More transparent (38b)</td>
<td>- Interdep. (34)</td>
<td>- Strategy is to get closer to the retailer (21)</td>
<td>- Retailers have no need for middlemen (35b)</td>
<td>- Retailers have no need for middlemen (35b)</td>
<td>- Retailers have no need for middlemen (35b)</td>
</tr>
<tr>
<td></td>
<td>- Access to processed products (20)</td>
<td>- Access to retailers means need to find new processors in Japan (41)</td>
<td>- Supermar. are getting bigger (26)</td>
<td>- Traceability more important (39c)</td>
<td>-_traceability more important (39c)</td>
<td>- Traceability more important (39c)</td>
</tr>
<tr>
<td></td>
<td>- Long term contracts more common than spot (76)</td>
<td>- Long term contracts more common than spot (76)</td>
<td>- Retailers are concerned with traceability (6, 20)</td>
<td>- Retailers just want the fish cheaper. Not prepared to pay for additional adaptations (32)</td>
<td>- Retailers just want the fish cheaper. Not prepared to pay for additional adaptations (32)</td>
<td>- Retailers just want the fish cheaper. Not prepared to pay for additional adaptations (32)</td>
</tr>
<tr>
<td></td>
<td>- New activities (processing, distributing) (42)</td>
<td>- New activities (processing, distributing) (42)</td>
<td>- Retailers are concerned with traceability (6, 20)</td>
<td>- Retailers are concerned with traceability (6, 20)</td>
<td>- Retailers are concerned with traceability (6, 20)</td>
<td>- Retailers are concerned with traceability (6, 20)</td>
</tr>
<tr>
<td><strong>Supreme Seafood Japan</strong></td>
<td>- Importers are slaves to the retailers, have to obey them (49)</td>
<td>- Retailers are slaves to the retailers, have to obey them (49)</td>
<td>- Retailers are slaves to the retailers, have to obey them (49)</td>
<td>- Retailers are slaves to the retailers, have to obey them (49)</td>
<td>- Retailers are slaves to the retailers, have to obey them (49)</td>
<td>- Retailers are slaves to the retailers, have to obey them (49)</td>
</tr>
<tr>
<td></td>
<td>- Retailers are too strong (50)</td>
<td>- Retailers are too strong (50)</td>
<td>- Supermarkets are more concerned about quality (27)</td>
<td>- Retailers just want the fish cheaper. Not prepared to pay for additional adaptations (32)</td>
<td>- Retailers just want the fish cheaper. Not prepared to pay for additional adaptations (32)</td>
<td>- Retailers just want the fish cheaper. Not prepared to pay for additional adaptations (32)</td>
</tr>
<tr>
<td></td>
<td>- The retailers are more powerful (52)</td>
<td>- The retailers are more powerful (52)</td>
<td>- Retailers just want the fish cheaper. Not prepared to pay for additional adaptations (32)</td>
<td>- Retailers just want the fish cheaper. Not prepared to pay for additional adaptations (32)</td>
<td>- Retailers just want the fish cheaper. Not prepared to pay for additional adaptations (32)</td>
<td>- Retailers just want the fish cheaper. Not prepared to pay for additional adaptations (32)</td>
</tr>
<tr>
<td></td>
<td>- Superm. are getting bigger (26)</td>
<td>- Superm. are getting bigger (26)</td>
<td>- Retailers are concerned with traceability (6, 20)</td>
<td>- Retailers are concerned with traceability (6, 20)</td>
<td>- Retailers are concerned with traceability (6, 20)</td>
<td>- Retailers are concerned with traceability (6, 20)</td>
</tr>
<tr>
<td><strong>Shoitachi</strong></td>
<td>- Shoitachi has introduced new monitoring technology at their new plant (24)</td>
<td>- Shoitachi has introduced new monitoring technology at their new plant (24)</td>
<td>- Shoitachi has introduced new monitoring technology at their new plant (24)</td>
<td>- Shoitachi has introduced new monitoring technology at their new plant (24)</td>
<td>- Shoitachi has introduced new monitoring technology at their new plant (24)</td>
<td>- Shoitachi has introduced new monitoring technology at their new plant (24)</td>
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<td>- Has set up a new plant (25)</td>
<td>- Has set up a new plant (25)</td>
<td>- Has set up a new plant (25)</td>
<td>- Has set up a new plant (25)</td>
<td>- Has set up a new plant (25)</td>
<td>- Has set up a new plant (25)</td>
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<tr>
<td></td>
<td>- Better adaptation to retailers needs (7)</td>
<td>- Better adaptation to retailers needs (7)</td>
<td>- Retailers are concerned with traceability (6, 20)</td>
<td>- Retailers are concerned with traceability (6, 20)</td>
<td>- Retailers are concerned with traceability (6, 20)</td>
<td>- Retailers are concerned with traceability (6, 20)</td>
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<tr>
<td></td>
<td>- Easier to keep promises to the retailer</td>
<td>- Easier to keep promises to the retailer</td>
<td>- Retailers are concerned with traceability (6, 20)</td>
<td>- Retailers are concerned with traceability (6, 20)</td>
<td>- Retailers are concerned with traceability (6, 20)</td>
<td>- Retailers are concerned with traceability (6, 20)</td>
</tr>
<tr>
<td></td>
<td>- Better access to information from importer and producer (16)</td>
<td>- Better access to information from importer and producer (16)</td>
<td>- Retailers are concerned with traceability (6, 20)</td>
<td>- Retailers are concerned with traceability (6, 20)</td>
<td>- Retailers are concerned with traceability (6, 20)</td>
<td>- Retailers are concerned with traceability (6, 20)</td>
</tr>
<tr>
<td><strong>Tokyo Fisheries (m)</strong></td>
<td>- Large retailers are buying from other suppliers (1)</td>
<td>- Large retailers are buying from other suppliers (1)</td>
<td>- Large retailers are buying from other suppliers (1)</td>
<td>- Large retailers are buying from other suppliers (1)</td>
<td>- Large retailers are buying from other suppliers (1)</td>
<td>- Large retailers are buying from other suppliers (1)</td>
</tr>
<tr>
<td></td>
<td>- Retailers are becoming more strict/demanding (19)</td>
<td>- Retailers are becoming more strict/demanding (19)</td>
<td>- Retailers are becoming more strict/demanding (19)</td>
<td>- Retailers are becoming more strict/demanding (19)</td>
<td>- Retailers are becoming more strict/demanding (19)</td>
<td>- Retailers are becoming more strict/demanding (19)</td>
</tr>
<tr>
<td></td>
<td>- Japanese economy is suffering at present (41)</td>
<td>- Japanese economy is suffering at present (41)</td>
<td>- Japanese economy is suffering at present (41)</td>
<td>- Japanese economy is suffering at present (41)</td>
<td>- Japanese economy is suffering at present (41)</td>
<td>- Japanese economy is suffering at present (41)</td>
</tr>
</tbody>
</table>
### Large supermarket chains are increasingly buying directly (28)
- No. of smaller retailers are reduced (25)
- Interested in price (3)
- Retailers are concerned with freshness and traceability (8)
- Easier dealing with the large department stores (15)

### Maruaki
Japanese feared new supermarket entrants, but impact has been less than anticipated (18)
More powerful retailers (22)
Japanese are curious, but doesn’t buy from the new entrants (19)

### Changing retail structure

#### Tsukiji gen.
- No. of small retailers are failing or they have merged (8)
- Smaller retailers are disappearing from the market (3)
- Family restaurants buy directly (6)
- New type of midrange restaurants demand cheaper prices (7)
- Family restaurants have lower prices (5)
- Japanese consumers have changed their preferences (4)
- Family restaurants offer stable supply and prices (5a)

#### Approached by a large retail chain

#### Shoitachi
- Shoitachi started working together with Bluewater and Norway Salmon towards a restaurant chain (10)
- Shoitachi approached by restaurant chain (11)
- Shoitachi liked working with the importer (few complaints, fresh fish) (14)
- Rest. liked working with Bluewater and Shoitachi (12)
- Shoitachi liked working with Bluewater and Norway Salmon towards restaurants

#### Growing no. of large retailers

#### Asahi Retail
- Switch in powerbalance between retailers and suppliers (33)
- Number of large retailers growing, smaller shops are decreasing in numbers (9)
- Retailers have increased their power (35)

Table 8.9: Story no. 3 - Retailers are becoming increasingly powerful
8.5.3.2 What is happening? (boxes BA, BD and BN)

The general story shared here is twofold: First, retail chains and restaurants are increasingly doing business directly with the importers and exporters: Supreme Seafood Norway has approached retail chains directly; Tokyo Fisheries says that large retail chains increasingly buy from suppliers other than the fish market; The Tsukiji Director General says that new types of family restaurants are buying directly; Shoitachi has started working with a new restaurant chain with Bluewater and Norway Salmon. Second, there is a change in retail structure as the number of small retailers is reduced and the market is dominated by a growing number of large retailers. This trend is described by Tokyo Fisheries, Asahi Retail and the Tsukiji Director General.

This change at network level has an impact on the dyad level. Supreme Seafood Norway for instance says that dealing directly with retailers means improved communication, increased volumes and access to other products, joint activities such as processing and distribution and long term contracts instead of spot. Shoitachi says that they are now in a better position to meet the retailers needs because they have access to information directly from exporters and producers. There has also been a dyad change in terms of a shift in powerbalance towards the retailers, as commented by Supreme Seafood Japan and Asahi Retail. The Supreme Seafood respondent delivers the strongest comments here as he claims that importers are slaves to the retailers, that the retailers are too strong.

On the actor level, Shoitachi has set up a new processing plant to better serve the retailer’s in terms of new product development, new production techniques, volume changes, etc. This is extensively described in Chapter 7.

8.5.3.2 Why is it happening? (boxes DA, DD and DN)

Three key factors emerge explaining the change towards more powerful retailers. First, retailers are increasingly concerned with traceability, as mentioned by Supreme Seafood Norway, Supreme Seafood Japan and Tokyo Fisheries. Second, they want better and fresher salmon, as mentioned by Supreme Seafood Japan and Tokyo Fisheries. Third, they want to reduce their costs: Supreme Seafood Norway for instance says that retailers have no need for middlemen; Supreme Seafood Japan says that retailers want the fish cheaper - they are not prepared to pay for additional adaptations. The retailers in the sample, Asahi Retail, Maruaki and BCB, do not comment on retail power here, but they refer to the need
for traceability as a key factor explaining the change towards direct distribution (analysed in the first story of change).

Perhaps the most interesting issue here is what isn’t said. The actors representing the fishmarket, Karatsu and Marukawa, do not say anything about the retailers’ need for traceability. The Director General talks about retail trends, but he refers to costs and changing Japanese consumer preferences when explaining increased retail power. The perceptions are more similar between the respondents outside the fishmarket, and these respondents are all connected in some way, an example of Proposition no. 1: *Network pictures are dependent upon network position*. It may further indicate that interactions shape similar perceptions, as suggested by Proposition no. 2: *Network picture overlap is a function of the interaction intensity between actors*. All respondents who have established relationships with the retailers, or who have some experience of interacting with retailers, have a common understanding of the retailers’ needs. Actors at the fishmarket do not have these regular contact patterns, and are barred from this information. When they talk about the retailers, they talk about costs. But actors involved in direct distribution talk about traceability. Traceability is difficult in the fishmarket system, and it appears to be the main factor contributing to the change towards direct distribution.

Traceability is about access to information, and information is a resource. Access to this crucial resource seems to be a key factor explaining why actors want to change the structure of the network. The new structure permits sharing this resource and it is being developed to enable a smooth transition of this resource through the network. The exporter holds some of the key here as he is the origin for the information. His powerbase is information about product origin. But the retailer also has a powerbase in terms of information about the consumers and Japanese market trends. This is information which is seen as important to the other actors. It is thus not the contact intensity which determines the relationship; it is the quality of information. There is a unanimous perception about these issues in the two direct distribution networks, whereas the fishmarket prohibits access to these resources. Ultimately, the respondents representing the fishmarket have a narrow perspective compared to the other actors in the sample, and their possibility to act is limited by their perspective. Respondents such as retailers and exporters have a much broader perspective, and they have a much better potential to create change. This builds on Proposition 1: *Network pictures are dependent upon network position*. The exporters’ role
is to export, they operate in a number of markets, and they need to have a broad outlook on their business practices. Similarly, the retailers are also forced to have a broad perspective on their practices, because they are increasingly facing competition from large international retail chains. The fishmarket has a narrow powerbase, as their business is centred around a network which is increasingly losing its attractiveness.

8.5.4 Story no. 4: The fish market still has a role to play

Looking at the changes behind the dots, the boxes look like this:

<table>
<thead>
<tr>
<th>Respondent</th>
<th>BA</th>
<th>BD</th>
<th>BN</th>
<th>DA</th>
<th>DD</th>
<th>DN</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fishmarket is still present/ Still dependent</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway Salmon</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fishmarket changes slowly (3)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pricing is more effective in the fishmarket (12)</td>
<td></td>
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</tr>
<tr>
<td>Fishmarket has functions not easily replaced (4)</td>
<td></td>
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</tbody>
</table>

| Supreme Seafood Norway   |    |    |    |    |    |    |
| - Still dependent on the fish market (35a) |    |    |    |    |    |    |
| - Still sells to importers (24b) |    |    |    |    |    |    |
| Still FM, not big enough yet (35b) |    |    |    |    |    |    |

| Supreme Seafood Japan    |    |    |    |    |    |    |
| Retail price is the same in FM and DID (14) |    |    |    |    |    |    |
| - wholesalers are still used (50/50) (4) |    |    |    |    |    |    |
| - Still sells to Karatsu (91) |    |    |    |    |    |    |
| - Someone still has to take the costs of filleting in DD. In FM sec wholesalers do this (24) |    |    |    |    |    |    |
| - Japanese culture “Mystery of the Japanese market” (23) |    |    |    |    |    |    |
| - Small retailers are still dependent on the fish market (28) |    |    |    |    |    |    |
| FM still exists because many layers help sharing loss (22) |    |    |    |    |    |    |
| - For small volumes FM can be cheaper (25) |    |    |    |    |    |    |

| Karatsu                  |    |    |    |    |    |    |
| Fishmarket provides stability (1) |    |    |    |    |    |    |
| - Retailers want variety, buys from several middlewhs (3) |    |    |    |    |    |    |
| - Secondary wholesalers close trading later than Karatsu (4) |    |    |    |    |    |    |

| Tokyo Fisheries (m)      |    |    |    |    |    |    |
| Tokyo Fisheries sell to the FM (5) |    |    |    |    |    |    |
| - Small retailers and restaurants are dependent on the FM (27) |    |    |    |    |    |    |
| - Smaller retailers are |    |    |    |    |    |    |
Marukawa

Still sells majority to the fish market (2)

- Not beneficial for smaller retailers to buy directly (13)
- Wh. salers do not want to sell directly because of risk (14)
- Impossible for stores like ItoYokado to buy directly because all the stores have their own requirements (16)
- Still needs the wholesale market because the importers doesn’t have the skill to repack (17)

Intermediaries resist change

Tsukiji gen.

- Difficult for intermediaries to make a profit (31)
- Some middle wholesalers are resisting the move (23)
- Int. mediaries don’t want to move to new site (33)

Number of intermediate wholesalers are falling (30)

Aging owners (32)

Direct distribution makes it hard for them (35)

Creating new functions

Tsukiji gen.

Need for FM to change its strategy (10)

Trying to offer new functions for retailers such as repacking and storage (12)

Targets the large retailers and supermarkets (11)

- Move represents a new beginning (change of strategy) (36)
- Lack of space and sanitary hygiene imposes a quality problem (18)
- Traceability is been difficult, but is taken seriously (43)
- High-end restaurants are more concerned with traceability than general public (44)

Table 8.10: Story no. 4 - The fish market still has a role to play
8.5.4.1 What is happening? (boxes BA, BD and BN)

Even though direct distribution is increasing, the sample still uses the fishmarket to a great extent. Supreme Seafood Norway is dependent on it and still deals with it and Supreme Seafood Japan still sells to Karatsu and the other wholesalers at Tsukiji. Norway Salmon even believes that it will grow in importance.

8.5.4.2 Why is it happening? (boxes DA, DD and DN)

The arguments as to why the fishmarket continues to be used can be grouped into three themes: First, small retailers do not have the capacity or skill to engage in direct distribution, as mentioned by Supreme Seafood Japan and Marukawa; Second, the fishmarket provides variety and stability as mentioned by Karatsu; and third, it is more suitable for small volumes as suggested by Supreme Seafood Japan. All these statements concern the needs of the retailers. Only Supreme Seafood Norway talks about this from their own perspective, as the respondent holds that Supreme Seafood Norway is not big enough yet to operate completely outside the fishmarket. The other respondents see this from the retailers’ perspective. In their view, retailers are dependent on the fishmarket to get access to a great variety of fish, i.e. access to resources. The only problem is that the retailers don’t seem to share this perception - they are concerned about traceability. If we look at the responses from the two primary wholesalers, Karatsu and Marukawa, there seems to be a mismatch between what the retailers are concerned with, and what the two wholesalers at the fishmarket believe the retailers are concerned with.

Again, it appears that the fishmarket structure prohibits the flow of information. The Tsukiji General Director has a broader perspective on this issue. He admits that traceability is not sufficient in the current fishmarket structure, and he has plans for a new market which provides new facilities and improved functions for the retailers.

This story is actually about resistance to change. It seems that the wholesalers are defending the current structure by using sensemaking devices that are not shared by other actors in the network. Change will therefore not come from the inside. The pressure to change is from the outside, and we see that actors engaged in direct distribution (such as exporters, importers and retailers) use the same sensemaking devices as basis for their actions (i.e. the need for traceability). The pressure to change is also felt by the Tsukiji General Director. He shares sensemaking devices with the retailers and the large exporters.
His ability to change the Tsukiji market will however depend on his ability to establish a common frame of reference with the other actors at Tsukiji. From the interviews it appears that there is still some way to go, and the possibility to change is therefore not imminent. Even though he has made plans for the new market, they remain plans, or network pictures, of what the market will look like in the future. But the actors are still located at the 1950s premises in downtown Tokyo.

This leads up to proposition no. 3:

*Proposition no. 3: Network change is achieved by encouraging network picture overlap within the network*

### 8.5.4 Story no. 5: The merger between Global Salmon, Rocky Coast and Supreme Seafood

Looking at the changes behind the dots, the boxes will look like this

<table>
<thead>
<tr>
<th>Respondent</th>
<th>BA</th>
<th>BD</th>
<th>BN</th>
<th>DA</th>
<th>DD</th>
<th>DN</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Supreme Seafood Norway</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Created a new business unit for Asia (17)</td>
<td>- Rocky Coast and Global Salmon merged spring 2006 (1)</td>
<td>- Business-model common in Supreme Seafood system. “Won” over Rocky Coast and PanFish models (73)</td>
<td>- PF/Rocky Coast structure not cost-effective (11)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Created new business unit called Value added products (22a)</td>
<td>- Global Salmon and Rocky Coast merged with Supreme Seafood (5)</td>
<td>- Corporate strategy: Each unit responsible for its own business (18)</td>
<td>- Existing distribution structure prohibits information (61)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Estd. a business unit in Norway for Asia sales (2)</td>
<td>- Two parallel distribution structures at one moment (8)</td>
<td>- Resembles Europe (36)</td>
<td>- Old model not effective (72)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Have set up own unit in Asia (23)</td>
<td>- Supreme Seafood Japan replaced traditional Japanese importers (33)</td>
<td>- CEO made decision to go for Supreme Seafood model (10)</td>
<td>- Believed costs would be reduced by 10-15% by omitting wholesalers (62)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Sought advice from MCKinsey (9)</td>
<td>- Needed to reduce number of suppliers (14)</td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Had to act according to size (59)</td>
<td>- Could not achieve this in the old structure (58)</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

386
| **Supreme Seafood Japan** | - Supreme Seafood Japan sales strategy has changed because of the merger (90)  
- Respondent came from Stolt Seafarm, which merged with Supreme Seafood (92)  
- Sales volumes have increased after the merger (80)  
- Sales volumes increased (11) | - Rocky Coast customers left (30)  
- Customers of Rocky Coast and Global Salmon came along after the merger (82)  
- Actors want to maintain contact with exporter (source) (85)  
- Supreme Seafood believes that price is the same (86)  
- Rocky Coast customers afraid of losing staff if they stuck with Supreme Seafood (87)  
- Rocky Coast customers wanted to buy directly from the source, not through an importer (84)  
- Supreme Seafoods new sales strategy is partly based on a recommendation by a McKinsey report (94)  
- Supreme Seafood J had to be loyal to Supreme Seafood Norway decision of new sales strategy (89)  
- The decision to use McKinsey was taken by the CEO (95)  
- Market share today (21) | Tried to persuade them, but didn't want to continue rels with Supreme Seafood (88) |
<p>| <strong>BCB</strong> | Supreme Seafood business strategy has changed (23) | Merger has secured stable prices (25) | |</p>
<table>
<thead>
<tr>
<th>Tokyo Fisheries (G)</th>
<th>Rocky Coast Manager left Supreme Seafood after the merger (7)</th>
<th>Wants to stop buying from Supreme Seafood because of the merger (2)</th>
<th>Merger with Global Salmon, Rocky Coast and Supreme Seafood (1)</th>
<th>Vikomar is dependable, have their own fish (5)</th>
<th>Merger meant that Tokyo Fisheries stopped buying from them (4)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Has kept relationship to former Rocky Coast Manager (8)</td>
<td>- Started to buy from new company (9)</td>
<td>- Can have continued rels with headoffice in Norway (6)</td>
<td>- Had good communication with former Rocky Coast contact (11)</td>
<td>- Difficult to forecast trends (26)</td>
</tr>
<tr>
<td></td>
<td>- Has started relationship with another N supplier, Vikomar (3)</td>
<td></td>
<td>- Relationships are longlasting, difficult to break (10)</td>
<td>- Karatsu has to save costs, focus on profits (17)</td>
<td>- Supreme Seafood Japan has difficulties getting access to information (29)</td>
</tr>
<tr>
<td>Karatsu</td>
<td>- Changed their strategy, more concerned about profits (15)</td>
<td>Actor bonds: - Doesn't like buying from Japan Office (2)</td>
<td>Merger between FS, PF and Supreme Seafood (23)</td>
<td>Karatsu has to buy from Japan office (1)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Looks for an exit (22)</td>
<td>- Japanese customers loose their bargaining power (3)</td>
<td>- Merger between Supreme Seafood, PF and Rocky Coast means that Karatsu has to buy from Japan office (1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Karatsu disapprove of new business model</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>- relations has become strained after the merger (21)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Resource ties: - Difficult to forecast trends (26)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Difficult to get</td>
<td></td>
<td></td>
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</tbody>
</table>
Supreme Seafood Norway

<table>
<thead>
<tr>
<th>Merger: New structure creates conflict</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Supreme Seafood Norway</strong></td>
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<tr>
<td></td>
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</tbody>
</table>

- Supreme Seafood Japan has stopped giving out information, better before (28)
- Karatsu has reduced their orders. Less volume bought from Norway (14)
- General volumes have not changed (1 year ago) (18)
**Merger: New ties created**

<table>
<thead>
<tr>
<th>Supreme Seafood Norway</th>
<th>Karatsu</th>
</tr>
</thead>
</table>
| - Rocky Coasts Japan manager left (25a)  
- People in opposition to new model left the company (50) | - Supreme Seafood Japan has lost customers (27)  
- Karatsu is shifting demand to other N. suppliers (33)  
- Has stopped buying from Norway Salmon because of high price (42) |

<table>
<thead>
<tr>
<th>Merger: Access to new resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supreme Seafood Norway</td>
</tr>
</tbody>
</table>
| - Merger meant access to new processing plants (19)  
- Access to a different sales system with presence in Japan (6) | - Supreme Seafood had ambitions to get into new species (16)  
- Needed to reduce product portfolio (13)  
- Wants to be price-competitive (29b) |

<table>
<thead>
<tr>
<th>Merger: Improved network position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supreme Seafood Norway</td>
</tr>
</tbody>
</table>
| - Are now in a better position: Deals directly with the supplier (60)  
- Targets the large supply chains (87) | - Needed to speed up change by establishing new distr structure (37)  
- Wanted to improve our position (57)  
- Wanted to work with another type of processors (53) |

<table>
<thead>
<tr>
<th>Merger: Change in volume of operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supreme Seafood Norway</td>
</tr>
</tbody>
</table>
| - New model has increased costs (74)  
- No of | - Volume has decreased, but is now 80% of what it used to be (42a)  
- Took over old Global Salmon customers (3)  
- No. of |
| - Japan is not so important for our company anymore |
employees in Japan is reduced (49)
- Staff has been reduced (65)
- Operations in Japan are reduced after the merger (83)
- Needs to supply higher volumes (75)
- Customers now doubled (4)

Merger: New role for processors and distributors (new ties)

<table>
<thead>
<tr>
<th>Supreme Seafood Japan</th>
<th>Processors now account for half of direct distribution (13)</th>
<th>More promotion together with retailers (78)</th>
<th>Contact with large end users (Aeon) has led to establishing relationship with a distributor (7)</th>
<th>Difficult to have contact with all customers directly (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Retailers wants to work closely with us (29)</td>
<td>Contact with supermarkets has also led to new rels to processors (9)</td>
<td>Distributors use salmon to get into new markets. Sell cheap (17)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Product adaptations such as fillets (10)</td>
<td></td>
<td>He does not have own distribution. Cannot handle such large volumes themselves (8)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Now works together with processors towards the big supermarkets (12)</td>
<td></td>
<td>Impossible for Supreme Seafood alone to process products (11)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Powerful retailers has consequences for power of the distributor (53)</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Difficult to have contact with all customers directly (5)
- Distributors use salmon to get into new markets. Sell cheap (17)
- He does not have own distribution. Cannot handle such large volumes themselves (8)
- Impossible for Supreme Seafood alone to process products (11)

Table 8.11: Story no. 5 - The merger between Global Salmon, Rocky Coast and Supreme Seafood

8.5.4.1 What is happening? (boxes BA, BD and BN)

The main story told here is that Global Salmon and Rocky Coast merged in 2006 (change at network level). Global Salmon had a distribution structure in Japan different from Rocky Coast’s. Global Salmon had its own import company in Tokyo (Global Salmon Japan) but it additionally used other Japanese importers which were allowed to buy directly from Global Salmon in Norway. Rocky Coast on the other hand used only Japanese importers to distribute their fish, and these relationships were well established. When Global Salmon merged with Supreme Seafood, Supreme Seafood had its own distribution company in Japan (Supreme Seafood Japan) but it also sold salmon directly to Japanese importers. After the merger, there was a heavy dispute within Supreme Seafood of which model to go for. The Rocky Coast people favoured their model meaning trading directly with Japanese importers. The Global Salmon and Supreme Seafood people wanted to continue using a Japanese subsidiary. Supreme Seafood’s view “won” the dispute, and some of the Rocky
Coast staff left the company (change at actor level). They set up a new company, continuing their relationships with the former Japanese customers or targeting new Japanese importers (change at network level).

The new business model was not well received by the Japanese customers. Relationships became tense and conflicts emerged (change at dyad level). The Japanese customers resented having to buy their salmon from Japan instead of Norway as they were used to. Some of the customers left, others started looking for an exit. Some started buying from other Norwegian suppliers which had a business model they favoured, i.e. they were allowed to buy directly from the source in Norway (change at network level).

8.5.4.2 Why is it happening? (boxes DA, DD and DN)

If we look at the sensemaking devices used to explain this network change and how it affected the relationships, it appears that this was very much a calculated move from Supreme Seafood Norway. They wanted to improve their network position by forcing a new distribution strategy on their partners. They wanted to work with other types of importers and processors and they needed to reduce the number of customers. They knew that their model would create conflict. At first they tried to create change by negotiations and agreement, but when they realised that they would be opposed, they used their power to change the network. They willingly dumped customers that did not accept the new model, and recruited new customers who shared their view. This is neatly illustrated by the Supreme Seafood Norway respondent when he explains that “Supreme Seafood had to act because of its size” and they “have a responsibility to develop the market”.

Customers such as Tokyo Fisheries and Karatsu opposed the model because they saw the Japanese subsidiary as a competitor which gained favourable prices. They accused Supreme Seafood of being out of touch with the Japanese market. These two importers wanted to have direct ties with Norway, because this would give them access to information about product quality, production forecast and trends. They did not trust the Supreme Seafood Japan subsidiary to provide this type of information.

Still, Karatsu and Tokyo Fisheries keep buying from Supreme Seafood. Tokyo Fisheries says that Supreme Seafood is an important supplier. Karatsu is still resentful. Their volumes are down, but Supreme Seafood is still an important supplier to them.
The story of the merger shows that an actor may try to create change by interacting with other actors which have similar perceptions of reality, or similar sensemaking devices. This is what Supreme Seafood did when they deliberately targeted actors which favoured their new business model. An actor may also create change by ending relationships with actors which have opposing views. This is what Supreme Seafood did when they allowed customers disapproving of the new model to leave their network.

This story moreover illustrates how an actor may create change by sheer force. In this case, Supreme Seafood knew that their new business model would be unpopular in Japan. Still they decided to go on with it. In their view it has been a successful change. They now have access to new types of importers and processors, and they have improved their network position. The actors in opposition to their view still have to buy their salmon from Supreme Seafood as it controls 30% of the market worldwide.

This leads up to proposition no. 4 and 5:

*Proposition no. 4: Network change is achieved by establishing relationships with actors having similar network pictures outside the network, and*

*Proposition no. 5: Network change is achieved by using power in asymmetrical relationships.*

**8.5.6 Story no. 6: The role of salmon**

Looking at the changes behind the dots, the boxes look like this:

<table>
<thead>
<tr>
<th>Respondent</th>
<th>BA</th>
<th>BD</th>
<th>BN</th>
<th>DA</th>
<th>DD</th>
<th>DN</th>
</tr>
</thead>
<tbody>
<tr>
<td>From whole fish to fillets</td>
<td>From whole fish to fillets (18)</td>
<td>Fillets are cheaper to produce (9)</td>
<td>Network will save costs switching to fillets (10)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway Salmon</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>BCB</td>
<td>Move from whole fish to fillets (39)</td>
<td>- Buying fillets is cheaper (3)</td>
<td>- Some supermarkets will save costs buying gutted fish and process themselves, but BCB sells directly and needs fillets (4)</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

**Possible filleting in Norway rejected**

<p>| Shoitachi | | | - Rejected because of lack of actor skills (15b) | New possible network in Norway (15a) |</p>
<table>
<thead>
<tr>
<th>No. salmon competitive but expensive</th>
</tr>
</thead>
<tbody>
<tr>
<td>BCB</td>
</tr>
<tr>
<td>- Buys salmon directly from importers (46)</td>
</tr>
<tr>
<td>- Chilean salmon more profitable (38)</td>
</tr>
<tr>
<td>- Japanese salmon also more profitable (39)</td>
</tr>
<tr>
<td>Norwegian salmon can compete with Chilean today despite 2.5x higher prices (35)</td>
</tr>
<tr>
<td>Market has a high end and low end (36)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chilean salmon gaining market share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maruaki</td>
</tr>
<tr>
<td>- Atlantic Salmon sales are falling (1)</td>
</tr>
<tr>
<td>- Chilean salmon is gaining market share (2)</td>
</tr>
<tr>
<td>- Atlantic salmon have difficulties competing (4)</td>
</tr>
<tr>
<td>- Only buys salmon from Tokyo Fisheries (9)</td>
</tr>
<tr>
<td>- Chilean salmon is cheaper (3)</td>
</tr>
<tr>
<td>- Exporters want better price margins for their salmon (23)</td>
</tr>
<tr>
<td>Easier for retailers to switch</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chilean impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bluewater</td>
</tr>
<tr>
<td>Chilean factor (less fresh, more friction (22, 23)</td>
</tr>
<tr>
<td>Bluewater needs to make more profits (13)</td>
</tr>
<tr>
<td>-OC needs to survive (17, 23a)</td>
</tr>
<tr>
<td>-Came to realise the beauty of fresh salmon (37)</td>
</tr>
<tr>
<td>-Introduced new price structure (36)</td>
</tr>
<tr>
<td>- Increased Chilean imports, reduced N. imports (21, 30, 31)</td>
</tr>
</tbody>
</table>

Table 8.12: Story no. 6 - The role of salmon

8.5.6.1 What is happening? (boxes BA, BD and BN)

Two issues emerge here, relating to the competition of Norwegian salmon vs. Chilean salmon, and the move from whole fish to fillets.

Regarding competition from Chile, Norwegian salmon is losing market share to Chilean salmon. This is particularly stressed by Maruaki, but the analysis of the distribution flow in Chapter 7 and interviews with actors in the initial study, confirm this picture.
The other trend is a move from whole fish to fillets. Norway Salmon for instance says that fillets are becoming more important than whole fish. BCB and Shoitachi also refer to this change.

8.5.6.2 Why is it happening? (boxes DA, DD and DN)

Concerning the substitution Chilean vs. Norwegian salmon, retailers like Maruaki and BCB says that they want to reduce their costs and Chilean salmon is more profitable than Norwegian salmon. But, as BCB argues, Norwegian salmon is competitive despite price differences, because the market still has a high end which is prepared to pay for better quality products.

Regarding fillets vs. whole fish, Norway Salmon says that fillets are cheaper to transport. When the heads and bones are removed, it weighs less and the actors save money on airfreight. BCB points to another issue in favour of buying fillets: For stores with limited filleting capacity it is more efficient to buy ready made fillets. In contrast, Shoitachi argues that Norwegian exporters cannot fillet the fish to Japanese quality standards: For instance, the intra-case analysis of Shoitachi’s network picture in Chapter 7 indicates that the Japanese actors prefer to fillet the fish themselves, either in the store or at a Japanese processor. Similar arguments were given by the primary and secondary wholesalers. Shoitachi was thinking of setting up a filleting operation in Norway, but this was rejected because they believed their potential Norwegian partner lacked the necessary skills.

This is essentially a discussion about location of activities and resource transformation. Someone needs to perform these functions, but who should do them and where should they be done? The actors obviously argue from their own perspective: Norway Salmon wants to perform filleting in Norway, Shoitachi wants to fillet in Japan, the actors at the fish market wants to fillet at Tsukiji. This discussion suggests that actors want to perform vital functions in order to position themselves in the network. If an actor succeeds in establishing a view that he is best qualified to perform function vital to the other actors, he will strengthen his network position. Suggesting that actors crave to perform vital functions to strengthen their network position builds on Proposition no. 1: *Network pictures are dependent upon network position.* It also has some resemblance to Proposition no. 3: *Network change is achieved by encouraging network picture overlap within the network.* Clearly, if an actor succeeds in persuading other actors that he is best at
performing vital activities, he needs to establish a common frame of reference with these actors.

At the same time networking is about interaction and resource ties, and interdependent actors will always share vital functions. From the study, it seems that in relationships characterised by interdependence there is a common understanding of who is best suited to perform these functions. For instance, BCB sometimes buys fillets from Supreme Seafood Japan, at other times they buy whole fish and use their own processor; intermediary wholesalers at Tsukiji sometimes fillets the fish for the restaurants, at other times the restaurants fillet themselves; Shoitachi fillets for Asahi Retail during peak seasons, other times Asahi Retail fillets at their stores. Actors “further away” from each other in the network, such as Norway Salmon and Shoitachi, or actors in relationships characterised by low commitment and interdependence, such as Karatsu and Supreme Seafood, have differing views on who should perform these functions. This builds on Proposition no. 2: *Network picture overlap is a function of the interaction intensity between actors.* Actors that are distant from each other in the network, or have little interest in interacting, will have less possibility to establish a common frame of reference.
8.7 Analysing the extended dottograms: Present to future

Having undertaken an inter-case analysis of changes from the past to present, and the sensemaking devices used to explain them, we will now deal with changes from present to future. This is how the changes may be grouped under themes across the cases.

<table>
<thead>
<tr>
<th>Respondent</th>
<th>CA</th>
<th>CD</th>
<th>CN</th>
<th>EA</th>
<th>ED</th>
<th>EN</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Further integration</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Norway Salmon</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bluewater</td>
<td>1</td>
<td>10</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Supreme Seafood Norway</td>
<td>2</td>
<td>5</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Supreme Seafood Japan</td>
<td>3</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BCB</td>
<td></td>
<td>2</td>
<td>3</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Tokyo Fisheries (G)</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Tokyo Fisheries (M)</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Marukawa</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2. Development of category management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway Salmon</td>
<td>1</td>
<td></td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>3. From whole fish to fillets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway Salmon</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td><strong>4. Future of the fishmarket</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway Salmon</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supreme Seafood Norway</td>
<td></td>
<td>4</td>
<td></td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Supreme Seafood Japan</td>
<td></td>
<td>6</td>
<td>1</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Karatsu</td>
<td>1</td>
<td>3</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Whs. 1</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Whs. 2</td>
<td>1</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>BCB</td>
<td></td>
<td></td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tokyo Fisheries (G)</td>
<td></td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Tokyo Fisheries (M)</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Maruaki</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marukawa</td>
<td>1</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tsukiji Dir.</td>
<td>4</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. *Tsukiji will move to another location*

| Tsukiji Dir. | 4 | 5 | 1 | 1 |

6. *Access to exporters network overseas*

| Bluewater | 1 | 2 | 2 |

<table>
<thead>
<tr>
<th>Gen</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Shoitachi</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

7. *Increasing filleting costs*

| Asahi Retail | 2 |   | 1 | 1 |

8. *Lack of wild caught salmon in Japan*

| Asahi Retail |   | 1 | 1 |

9. *Demand for Norwegian salmon will fall even further*

| Maruaki |   | 1 |   | 2 |

10. *No. of small retailers will be reduced/face difficulties/retailers will merge*

<table>
<thead>
<tr>
<th>Supreme Seafood Japan</th>
<th>1</th>
<th>2</th>
<th></th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Karatsu</td>
<td></td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>BCB</td>
<td></td>
<td>2</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Maruaki</td>
<td></td>
<td></td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

11. *Cooperation with new actors*

| Supreme Seafood Japan | 4 | 8 | 3 | 2 | 3 | 2 |

12. *Supreme Seafood will have problems surviving in Japan*

| Karatsu |   | 2 | 2 | 3 |

Table 8.13: Changes located to boxes CA, CD, CN, EA, ED and EN, total sample
8.8 Five stories of change

Using the same visual clustering method described earlier, these 12 themes can be grouped into five megatrends concerning future changes, or “five stories of change”:

1. Further network integration
2. The fish market will have reduced importance, but will not disappear
3. Retailers will be fewer, but larger
4. Access to new type of actors
5. The future of fresh salmon in Japan

This is how the themes were identified (table 8.14):

<table>
<thead>
<tr>
<th>Theme</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Further integration</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Development of category management</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. From whole fish to filets</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>4. Future of the fishmarket</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Tsukiji will move to another location</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Access to exporters network overseas</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>7. Increasing filleting costs</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Lack of wild caught salmon in Japan</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>9. Demand for Norwegian salmon will fall even further</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>10. No. of small retailers will be reduced/face difficulties/retailers will merge</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Cooperation with new actors</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>12. Supreme Seafood will have problems surviving in Japan</td>
<td></td>
<td></td>
<td></td>
<td>No immediate fit</td>
<td></td>
</tr>
</tbody>
</table>

Table 8.14: Visual clustering of main themes (present to future)

These stories will now be examined in detail.

8.8.1 Story no. 1: Further network integration

Looking at the changes behind the dots, the boxes will like this:
<table>
<thead>
<tr>
<th>Supreme Seafood Norway</th>
<th>Product development, training, meetings (80) - Create a new brand together (81a)</th>
<th>- Mergers with Japanese partners (23) perspective (38) - No. 1 ambition (22)</th>
<th>- Will not be many traditional Japanese importers left (30) - Tendency to further integration will continue (43c) - We may own more of the operations in Japan in the future (68) - Closer integration with large retailer (78) - Closer integration with large restaurants (79)</th>
<th>Knows from experience that other exporters have the same discussions (83) Needs to develop a wider product range</th>
<th>- Suppliers in other markets (Belgium) have a broad product range (70) - Suppliers may turn elsewhere otherwise - New model creates ownership and closeness to the market, but not quite sure (82)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supreme Seafood Japan</td>
<td>Relationships will become closer over time (56) - Cooperation with retailers will increase in the future (79) - Large retailers will become even more powerful (40)</td>
<td></td>
<td>DD will increase even more (42)</td>
<td></td>
<td>- Food spending in Japan is decreasing (30) - Japanese customers are concerned with quality (31) - If the price difference between Chile and Norway decreases N sales will pick up (33)</td>
</tr>
<tr>
<td>BCB</td>
<td>- May increase promotion activities with Supreme Seafood to boost sales (34) - He will continue to buy from Norway (27)</td>
<td></td>
<td>- Difficult to increase fresh salmon sales (28) - Maybe fish used for sushi will increase (29) - Norw. sales may increase (32)</td>
<td></td>
<td>- Food spending in Japan is decreasing (30) - Japanese customers are concerned with quality (31) - If the price difference between Chile and Norway decreases N sales will pick up (33)</td>
</tr>
<tr>
<td>Tokyo Fisheries (G)</td>
<td></td>
<td></td>
<td>Will focus more on direct sales (13)</td>
<td></td>
<td>No growth opportunity at the traditional market 14</td>
</tr>
<tr>
<td>Tokyo Fisheries (M)</td>
<td></td>
<td></td>
<td>Direct distribution will increase (11)</td>
<td></td>
<td>- Wholes. are lazy, ineffective (12) - Wholes. are not worth their commission (13)</td>
</tr>
<tr>
<td>Marukawa</td>
<td>May start processing</td>
<td></td>
<td>- Increasing dir.</td>
<td>- Feels resentful</td>
<td>Needs to become more</td>
</tr>
</tbody>
</table>
8.8.1.1 What will happen? (Boxes CA, CD and CN)

All the actors here indicate that the trend towards direct distribution will intensify in the future. In Norway Salmon’s terms this means increased volumes (change in resource ties), new concepts developed together with the retailers such as co-branding (change in resource ties) and promotion activities (change in activity links). He is even discussing stronger financial ties in terms of ownership and mergers with Japanese importers and processors (change in actor bonds). A similar picture is painted by Supreme Seafood Norway: He will strengthen his ties to restaurants and retailers in terms of co-branding, joint product development, education/training and more regular meetings. He is also discussing more substantial investments like ownership of Japanese operations. This picture is shared by Supreme Seafood Japan who also aims to work closer with the retailers.

BCB, the retailer buying from Supreme Seafood, confirms this picture. He is dedicated to their relationship and will increase joint promotion activities to boost sales. However, he feels that the market for fresh Norwegian salmon may become saturated. One way to increase demand is to promote salmon for sushi consumption. Another way is to reduce the price differences between Norwegian and Chilean salmon. The two respondents at Tokyo Fisheries have a similar description of the change towards further integration, but they are not very specific here.

Marukawa is one of the large primary wholesalers at Tsukiji. To him more integration means that he may start his own salmon imports. At present he is using importers such as Tokyo Fisheries because he is not licensed. He also talks about taking up processing. Today his fish is processed by his customers, such as secondary wholesalers and retailers. Secondary wholesalers at Tsukiji normally do their own processing, and small retailer may also process. Larger retailers use external processors. The Tsukiji market also has a processing plant on the premises which primary and secondary wholesalers can use.
It seems that for actors currently involved in direct distribution, closer integration means that they have to do more of what they are doing (i.e. more activities such as branding and marketing, closer resource ties such as joint product development, and tighter actors bonds in terms of financial ties and ownership). None of these actors talk about changing the network structure to enable this. What they aim to do is to achieve change through the connected relationships they have established. One reason for this may be that they already have taken steps towards more integration (discussed in the previous section analysing current changes). To actors working with direct distribution, change does not imply breaking up existing relationships, but strengthening and making better use of the relationships they currently have.

Marukawa, on the other hand, is embedded in the fish market structure. To him change implies that he needs to break existing relationships. If he succeeds in taking up importing, he needs to stop buying or severely reduce the volumes that he today gets from Tokyo Fisheries. If he is to start processing the fish, this means less business (or less value added) for the secondary wholesalers or the processors at Tsukiji, and ultimately for the connected processors of the retailers. But he is willing to do it to become more attractive to the retailers?

### 8.8.1.2 Why will it happen? (Boxes EA, ED and EN)

In Marukawa’s case, we have seen that he wants to become more attractive to the retailers by taking on activities that are important to them. This is sensemaking at network level. However, he does not like this trend and feels resentful about it. He does not want to break existing ties (sensemaking at dyad level).

Overall, there do not seem to be unanimous perceptions explaining the change towards further integration: The Tokyo Fisheries general manager talks about limited growth possibility in traditional distribution, whereas his colleague talks about the inefficiency of traditional distribution; BCB talks about changing Japanese consumer tastes towards better quality salmon as an opportunity for Norwegian salmon; and Supreme Seafood Norway needs to broaden his product range in order to become attractive as this is his experience from other markets.
This builds on proposition no. 1: *Network pictures are dependent on network position.* These actors have the same description of the change, but why it happens and what they have to do to make it happen differs according to the position they have in the network.

Norway Salmon’s case is different as he points to the role of network pictures to create change. He specifically says that he can achieve change either by finding new partners sharing his view, or changing the view of his current partners. The first is an example of proposition no. 4: *Network change is achieved by establishing relationships with actors having similar network pictures outside the network*, the second is an example of proposition no. 3: *Network change is achieved by encouraging network picture overlap within the network.*

### 8.8.2 Story no. 2: The fish market will have reduced importance, but will not disappear

Looking at the changes behind the dots, the boxes will look like this:

<table>
<thead>
<tr>
<th>Future of the fishmarket</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Norway Salmon</strong></td>
</tr>
<tr>
<td>- Will develop ties to the FM (39)</td>
</tr>
<tr>
<td>- Salmon may replace tuna (40)</td>
</tr>
<tr>
<td>Fishmarket will grow in importance</td>
</tr>
<tr>
<td>Wants strong ties to the fish market (28, 42)</td>
</tr>
<tr>
<td>Needs to produce top quality salmon Market (41)</td>
</tr>
<tr>
<td>Needs to convince the FM (43)</td>
</tr>
<tr>
<td>- Possible new network discussed but rejected (18, 20)</td>
</tr>
<tr>
<td>- Current cooperation model better than direct ownership (17)</td>
</tr>
<tr>
<td><strong>Supreme Seafood Norway</strong></td>
</tr>
<tr>
<td>- Wholesale markets will not disappear (66)</td>
</tr>
<tr>
<td>- Slow changes (81b)</td>
</tr>
<tr>
<td>- Changes are slow (43b)</td>
</tr>
<tr>
<td>- Not many changes in 5 years (43a)</td>
</tr>
<tr>
<td><strong>Supreme Seafood Japan</strong></td>
</tr>
<tr>
<td>- FM will remain (58)</td>
</tr>
<tr>
<td>- FM will not disappear completely, but will be considerably reduced (44)</td>
</tr>
<tr>
<td>- FM sales will be gradually reduced (43)</td>
</tr>
<tr>
<td>Wholesalers are loosing money (45)</td>
</tr>
<tr>
<td>- Smaller customers are dependent on FM (59)</td>
</tr>
<tr>
<td>- FM will not disappear completely because small restaurants and retailers are dependent on it</td>
</tr>
<tr>
<td>Source</td>
</tr>
<tr>
<td>--------</td>
</tr>
</tbody>
</table>
| Karatsu | Orders will remain at this level (31) | - Will move from 50/50 to 60 or 70 % DD (57)  
- No. of wholesalers will be reduced to a couple of big ones (46)  
- No. of secondary wholesalers will reduced (45)  
- FM will not change dramatically in 5 years time (9)  
- Karatsu position will not change that dramatically (20b)  
- No. of customers buying from Karatsu will decrease (4)  
- Has a long relationship. Strong commitment (32) |
| Whs. 1 | He may have to go out of business | |
| Whs. 2 | Unsure about the future | Tsukiji will move to another location  
Difficult to predict future changes |
| BCB | FM will not disappear (13) | - Smaller retailers dependent on the FM (14)  
- Retailers loose power being dependant on the wholesaler (16)  
- FM culturally specific to Japan (18) |
| Tokyo Fisheries (G) | Wholesaler distribution will also become more important (15)  
Fishmarket will stay competitive (17) | - Fish market is efficient (16)  
- One actor such as Tokyo Fisheries isn't big enough to cover all supermarkets by himself (sell directly) (18) |
| Tokyo Fisheries (M) | FM will continue to exist (22) | Small retailers are dependant on it (23)  
Ensures product variety (24) |
| Maruaki | Believe the FM will disappear in 10 years (13) | |
| Marukawa | FM will never cease to exist (7) | Middle wholesalers cannot import directly it, only wholesalers (6)  
Impossible to have 100% direct sales (8)  
Small retailers are |
| Tsukiji Dir. | - FM will survive (40)  
- FMs role will be diminished (37)  
- Only larger FM will survive. Tsukiji will be able to survive, but some FMs will disappear. (17)  
- Retailers will buy smaller quantities from secondary wholesalers, and larger quantities from primary wholesalers. Must be of a certain size to buy directly from primary wholesalers (25) | - Govt. wants cheaper food prices  
- Not longer protected by the government (38)  
- FM will retain some functions (41)  
- FM ensures variety and quality (42)  
- Variety an important part of Japanese food culture | still dependant on FM (9) |

| Tsukiji will move to another location | - Will move to another location (13)  
- Market will open in 2013 (21)  
- New functions, different from today’s site (22)  
- This has been a lengthy process, and it still isn’t finished (27) | - Can provide new distribution functions to ensure stable supply (16)  
- Will create storage facilities for retailers (15)  
- Will provide processing, filleting, packaging and transport for the retailers (24)  
- Will provide facilities for the outer retail shops and for tourists (29)  
- Has involved the users in the negotiations. (Change in actor bonds) (26) | Better functions for tourist (29a)  
Needs to move to provide space (14) |

Table 8.16: Story no. 2 - The fish market will have reduced importance, but will not disappear

8.8.2.1 What will happen? (Boxes CA, CD and CN)

The sample believes that the fishmarket will not disappear, but will lose some of its importance. This view is for instance shared by Supreme Seafood, Norway, Supreme
Seafood Japan, Tokyo Fisheries and Norway Salmon, all exporters and importers. Norway Salmon even believes that its influence will grow. On the other hand, Maruaki, a retailer, believe that the fishmarket will disappear altogether in 10 years time. The primary wholesalers at the fishmarket, such as Karatsu and Marukawa, seem to have a more positive outlook. Karatsu is perhaps the most optimistic as he thinks that their position will not change dramatically. The Tsukiji General Director is also optimistic, but his view is more in line with the exporters and importers who suggest that the fishmarket’s role will be diminished. As a consequence he will have to provide new functions for the retailers such as processing, storage and transport. The secondary wholesalers have the most pessimistic view of the actors interviewed, as they find it increasingly hard to survive.

8.8.2.2 Why will it happen? (Boxes EA, ED and EN)

Looking at the sensemaking devices used to explain this future change, the main reason for the continued existence of traditional distribution is that it provides product variety for smaller retailers. This is referred to in the responses by Supreme Seafood Norway, Supreme Seafood Japan, BCB, Tokyo Fisheries, Marukawa and The Tsukiji Director General. Apparently, this view is unanimous regardless of whether the actors are inside or outside the fishmarket. BCB and the Tsukiji Director General additionally refer to the Japanese cultural traditions when explaining the persistence of the fish market.

This story is about speed of change. Supreme Seafood Norway for instance says that changes are slow in Japan, and this is one of the reasons why the fishmarket will continue to have influence. But the speed of change of the fishmarket is determined by the speed of change in the Japanese retail structure. Today, the majority of retailers are small and independent (Planet Retail 2006). The five largest retailers in Japan only have a 20% market share. Large retailers have the power and skill to buy directly from importers. But because the retail structure is the way it is, Norwegian exporters and Japanese importers are bound to use the fish market for some time if they want to access this part of the market. Knowing that traditional distribution still accounts for 50% of Norwegian sales in Japan (see initial study in Chapter 4), it is not likely that they will give up this market share easily.

But the Norwegian actors are by no means merely watching the current changes. They try to change the structure by targeting retailers that are large enough to challenge the fish
market, they create links to actors such as processors that have functions which the retailers need, and they increase their bargaining power by mergers and acquisitions on the producer/exporter level. Their actions are proactive whereas the fishmarket actors seem to be more reactive or defensive in their strategies. Their strategy is also to provide functions that are important to the actors they want to improve ties to, but they are relentless.

This is an example of how actors try to change their network position by providing resources and activities that are important to other actors.

This leads to proposition no. 6: *Network change is achieved by exploiting activity links or resource ties if these functions are seen as important by other actors.*

At the same time this story is about resistance to change. Actors at the fish market are trying to resist change by defending it and point to the many advantages it has in their view. This leads to proposition no. 7: *Network change is resisted by confronting network pictures.*

### 8.8.3 Story no. 3: Retailers will be fewer, but larger

Looking at the changes behind the dots, the boxes will look like this:

<table>
<thead>
<tr>
<th>No. of small retailers will be reduced/face difficulties/retailers will merge</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Supreme Seafood Japan</strong></td>
</tr>
<tr>
<td><strong>Karatsu</strong></td>
</tr>
<tr>
<td><strong>BCB</strong></td>
</tr>
</tbody>
</table>
8.8.3.1 What will happen? (Boxes CA, CD and CN)

Here, actors such as Supreme Seafood Japan, Karatsu, BCB and Maruaki explain that the general trend towards larger but fewer retailers will continue. This is a two-fold trend: On the one hand, retailers will merge into larger units; Second, as a result (or cause), small retailers will go out of business as they cannot compete with larger competitors.

8.8.3.2 Why will it happen? (Boxes EA, ED and EN)

The general explanation here is that there is increasing competition between Japanese retailers. Due to recession and reduced consumer spending Japanese retailers need to cut costs to become profitable.

Basically, this story serves as an example of an issue discussed in story no. 2: Changes in the Japanese fish distribution structure and changes in the Japanese retail structure are interdependent. As long as there are small, independent retailers, there will be a fishmarket. When the distribution structure resembles European distribution (e.g. as mentioned by BCB), where a small number of large supermarkets control the majority of the market, there will be less need for a fishmarket. Interviews with the three supermarkets in this study, BCB, Maruaki and Marukawa, suggest that they have stopped buying or severely reduced their orders from the fish market. If this trend is representative of other
large Japanese retailers, the fishmarket in its present form will become obsolete. Equally, the tracer study described in Chapter 7 illustrated how small retailers and restaurants were the main exit point for seafood from the fish market. When these retailers disappear, the fish market will disappear.

It is nevertheless difficult to say when this is going to happen. Some actors in the sample indicate that this may never be, because a rich variety of fresh seafood is a vital part of the Japanese consumer preferences and food culture. One question is therefore whether the Japanese consumers are prepared to change their buying behaviour. Or do they have a choice when the selection of seafood is reduced to five to ten retailers as is the case in most European countries? Fishmarkets used to be the main sales channel for fish in countries like Italy, Spain, Portugal, England and Norway, but they are long gone, according to people in the Norwegian seafood industry.

The main point is however not when this will happen, because no-one can predict the future with such certainty, but what the actors do when faced with this challenge. This study indicates that actors, as a response to future challenges, try to position themselves by taking up functions that are believed to be important to other actors. Thereby, change implies moving the network around to obtain a better position. This is an example of proposition no. 6: *Network change is achieved by exploiting activity links or resource ties if these functions are seen as important by other actors.*

### 8.8.4 Story no. 4: Access to new type of actors

Looking at the changes behind the dots, the boxes look like this:

<table>
<thead>
<tr>
<th>Access to exporters network overseas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bluewater</td>
</tr>
<tr>
<td>Increased sales of yellowtail to new markets (2)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cooperation with new actors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supreme Seafood Japan</td>
</tr>
<tr>
<td>- May have difficulties surviving (34) May have consistent supply (61) Secure stable prices Cooperates with processors to target new customers Supreme Seafood is the largest (63) Modern production Actors don’t know how to handle the fish anymore (72) Easier for End users demand more easy products like fillets (37) Japanese kids</td>
</tr>
</tbody>
</table>
Table 8.18: Story no. 4 - Access to new type of actors

8.8.4.1 What will happen? (Boxes CA, CD and CN)

This story describes how actors use their existing relationships to create relationships with new actors. Bluewater will use their ties to Norway Salmon to get access to Norway Salmon’s network overseas. Bluewater is a large producer of yellowtail in Japan, and together with Norway Salmon they are currently discussing ways to utilise Norway Salmon’s distribution network in Europe to sell yellowtail to the European market. Norway Salmon has the network and Bluewater has the fish. Together they can create something.

Supreme Seafood’s case also illustrates this: By changing their Japanese distribution structure (also discussed in the previous section analysing current changes) they want to access to new types of actors such as processors and large retailers. As a result, they will be able to provide functions that are important to these actors in terms of stable prices, consistent supply and value added products such as fillets. Filleting in Norway is one way to achieve this.

8.8.4.2 Why will it happen? (Boxes EA, ED and EN)

Supreme Seafood’s arguments in favour of fillets are related to the arguments put forward by other actors as seen in the previous section: It is easier for the retailers to buy ready made fillets and everyone saves costs. Further, modern production techniques have made it easier to produce sushi from fillets. This used to be done by hand. The Supreme Seafood respondent also says that actors don’t know how to handle fish anymore. Particularly, supermarkets must hire unskilled labour due to the recession. A similar argument was put forward by Shoitachi in the previous section. He also argues that Japanese consumers
favour ready made fillets (he claims that Japanese kids hardly know what a fish looks like anymore…)

These arguments may be seen as examples on how Supreme Seafood try to position themselves towards the retailer in order to create functions that are important to the retailer, as suggested in Proposition no. 6: *Network change is achieved by exploiting activity links or resource ties if these functions are seen as important by other actors*

**8.8.5 Story no. 5: The future of fresh salmon in Japan**

Looking at the changes behind the dots, the boxes look like this:

<table>
<thead>
<tr>
<th>From whole fish to fillets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway Salmon</td>
</tr>
<tr>
<td>Fillets become more important than fresh fish (6)</td>
</tr>
<tr>
<td>Direct distribution more suitable for fillets (7)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Increasing filleting costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asahi Retail</td>
</tr>
<tr>
<td>Increased costs 21</td>
</tr>
<tr>
<td>Must employ less skilled people (22)</td>
</tr>
<tr>
<td>More processed products (20)</td>
</tr>
<tr>
<td>Closer ties with exporters in the future (15b)</td>
</tr>
<tr>
<td>Needs production processes which makes is easier for unskilled workers to handle the fish (23)</td>
</tr>
<tr>
<td>Needs stable supplies (24)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lack of wild caught salmon in Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asahi Retail</td>
</tr>
<tr>
<td>Lack of wild salmon in Japan (24)</td>
</tr>
<tr>
<td>Must strengthen ties to producers of farmed salmon to compensate for lack of wild salmon (25)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Demand for Norwegian salmon will fall even further</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maruaki</td>
</tr>
<tr>
<td>Less fish bought from N. Sales will continue to fall (5)</td>
</tr>
<tr>
<td>- Customers are concerned with price (6)</td>
</tr>
<tr>
<td>- A small consumer segment will continue to buy N. salmon (7)</td>
</tr>
</tbody>
</table>

Table 8.19: Story no. 5: The future of fresh salmon in Japan
8.5.5.1 What will happen? (Boxes CA, CD and CN + Why will it happen? (Boxes EA, ED and EN)

Two issues emerge here. First, fillets will become more important than whole fish (i.e. continuing the trend analysed concerning current changes). Norway Salmon believes this will strengthen his position vs. the Japanese market. Asahi Retail is of a similar opinion concerning the trend, but their concern is that their unskilled workers may have difficulties handle the fish at present, and they need to make changes to their filleting production. The second theme concerns the future of fresh salmon in Japan. Maruaki and Asahi Retail are both retailers, but they have differing views on this matter. Maruaki believes that Norwegian sales in Japan will continue to fall because Norwegian salmon is more expensive than Chilean. Asahi Retail sees an opportunity for farmed salmon as there is a shortage of wild salmon in Japan. As a result, he must strengthen his ties to Norwegian producers. This also resembles proposition no. 6: 

*Network change is achieved by exploiting activity links or resource ties if these functions are seen as important by other actors*

In the course of this chapter the following propositions have been identified:

**Proposition no. 1:** Network pictures are dependent upon network position

**Proposition no. 2:** Network picture overlap is a function of the interaction intensity between actors

**Proposition no 3:** Network change is achieved by encouraging network picture overlap within the network

**Proposition no. 4:** Network change is achieved by establishing relationships with actors having similar network pictures outside the network

**Proposition no. 5:** Network change is achieved by using power in asymmetrical relationships

**Proposition no 6:** Network change is achieved by exploiting activity links or resource ties if these functions are seen as important by other actors

**Proposition no. 7:** Network change is resisted by confronting network pictures

Chapter 9 will now expand on these propositions and discuss their theoretical implications.
Chapter 9: Contributions and implications

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<th>Purpose</th>
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<td>Literature review</td>
<td>Describe how change is discussed in general marketing channel literature and industrial network literature</td>
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<td>Introducing Model 1 and initial research question</td>
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<td>Methodology and research design</td>
<td>Explain rationale for chosen research design</td>
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<td>Initial study</td>
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<td>The role of perceptions</td>
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<td>Model 2 and Model 3 introduced and discussed</td>
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<td>Arriving at a conceptual model for analysing network change</td>
<td>Model 3 tested on data from follow-up study and found inadequate</td>
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<td>Contributions and implications</td>
<td>Contributions to theory, methodology and management practice</td>
</tr>
<tr>
<td>A reflective account</td>
<td>Evaluation in terms of a reflective account of the study, discussing its limitations</td>
</tr>
</tbody>
</table>

9.1 Introduction

This chapter will discuss the theoretical implications behind the seven proposition developed in Chapter 8. These implications will be contrasted to current literature to position this study in terms of theoretical, methodological and managerial contributions.

9.2 Network change: Why do they do it?

The purpose of this study is to analyse network changes in terms of how actors describe and explain change, and how they adapt to change. The results indicate that for actors, network change means seeking a more favourable position in the network. Getting a favourable network position means gaining better access to resources. In other words actors want to change their network position to get better access to resources. All the interviews and cases in this study describe the different ways in which actors seek to change their network position. This is very much in line with Håkansson and Snehota (1995, p. 275) arguing that “actors are constantly looking for opportunities to improve their
position in relation to important counterparts and are therefore looking for opportunities to create changes in the relationships”.

For instance, the Norwegian exporters and Japanese importers talk about the need to “get closer” to the retailer/processor, to “cut layers” or to “bypass” the fishmarket. These are metaphorical statements, and such arguments are reflected in the discussions around the network pictures analysed in Chapter 7 where the respondents visually describe and demonstrate how they aim to move the network around and improve their position. For instance, actors such as retailers want to have better access to resources in terms of information about product quality and origin. They engage in change processes to seek out where to best obtain this information. As a consequence, they stop buying from the fishmarket and start buying directly from importers with strong ties to exporters or producers. Other actors such as producers and exporters want to have access to resources in terms of processing facilities or market information. They engage in change processes to connect to different kinds of actors such as processors or retailers. Actors like the primary wholesalers at the fishmarket want to improve their network position by using resources and activities in new ways (such as offering new facilities and functions to retailers). But it is difficult for the wholesalers to change their position because they are embedded in a rigid structure. They may switch to Chilean suppliers, implying that they are changing their network position as they move into a new network. But this is only possible for frozen salmon. For fresh salmon they are still dependent on Norwegian suppliers.

Such processes are discussed by Håkansson and Snehota (1995) as they claim that “it is through confrontations and adjustments in relation to others that new or modified activity links, resource ties and/or actor bonds are developed. The motive for change can thus be the struggle to find stable arrangements and to experiment with workable situations; the effect, paradoxically, is that change is generated in business networks” (Håkansson and Snehota, 1995, p. 272). Here, Håkansson and Snehota highlight the interplay between actor bonds, resource ties and activity links serving as vectors for change, which has also been observed throughout the present study. But the study indicates that the resource dimension plays a particularly important role in network change.

The relationship between resources and network position is discussed by Turnbull et al. (1996). They define network position as “…a description of a company’s portfolio of
relationships and the rights and obligations that go with it. Network position is both an outcome of past relationship strategy and a resource for future strategy” (Turnbull et al., 1996 p. 12). They hold that in order to understand a company’s network position one must analyse the resources it builds through interaction, and suggest three resource categories: Access, reputation and expectations. The first element, access, is perhaps the most relevant here as it highlights some of the findings from the present study: “Access – to the resources of other network members. The resources include their financial and spending power as well as the ability to transfer product or service. A company may also have access to the knowledge resources of other network members” (Turnbull et al., 1996 p. 13). This is in line with the findings from the present study; actors want to change their position to exploit resources. But more so, the analysis indicates that network position is not only an outcome of interaction, actors take an active part in manoeuvring their network to improve and change their position.

The literature about network position within the network approach has largely been concerned with defining the term. Hence, the descriptions remain rather static, largely defined in terms of the relationships a company has with other actors (Easton, 1992; Johanson and Mattsson, 1992; Mattsson, 2002; Turnbull et al., 1996). But because networks are dynamic, network positions change, and this link between network positioning and network change is discussed by Easton (1992, p. 134) arguing that “positions in networks are primarily concerned with network connections. Thus they provide a language to talk about network changes”. Easton (1992) argues that changes in one company’s position will affect the position of other companies. The present study indicates that companies actively seek to change their position. In the network approach this is referred to as strategic actions, defined as “efforts by the actors to influence (change or preserve) their position(s) in network(s)” (Johanson and Mattsson, 1992 p. 188). Johanson and Mattsson (1992) claim that “strategic action aims at influencing actors, relationships and network structures… These goals may be achieved by breaking old relationships, establishing new ones, changing the character of existing, or preserving relationships endangered by adverse actions by other actors.” Further, “an overall objective of such restructuring may be to develop the focal actor’s role in the production system in a particular direction” (Johanson and Mattsson, 1992 p. 189). There are several examples of this type of strategic action in the study, most notably the Norwegian importers’ efforts to establish a direct distribution system, and in doing so breaking up an established Japanese
structure. This is also a good illustration of what Ford et al. (2002) refer to when they suggest that an actor must decide whether he wants to consolidate his existing network position or create a new position by changing the combination of existing relationships to create a new one.

But position changes are not easy to achieve. Other actors may resist change. Easton (1992) argues that “firms may be in preferred positions and defend those positions by any means at their disposal including other microposition changes to nullify the initiated change. Firms also have desired positions to which they may be seeking to achieve and which may be threatened by the proposed changes” (Easton, 1992 p. 134). This is also evident in the present study, particularly regarding actors in the traditional distribution system trying to defend their position and resisting the move towards direct distribution.

As this discussion indicates, one of the contributions of the study is that it gives empirical support to existing theory on network position, suggesting that actors seek to change their network position in order to get access to resources. Thereby, the study also suggests a close relationship between the concepts network position and network change which has not been discussed within the network approach in great detail.

But a more important contribution is the analysis of the role which perceptions or network pictures play in actors’ efforts to change their network and improve their position.

9.3 Network change: How do they do it?

Towards the end of Chapter 2 the following research question was introduced: “How do actors in business networks adapt to changes?” This initial question was revised in Chapter 4 to become “What role do actor perceptions play in network changes?” The seven propositions developed in Chapter 8 can be seen as attempts to answers this question, as they all in different ways say something about the relationship between network pictures and network change. The seven propositions were as follows:

Proposition no. 1: Network pictures are dependent upon network position
Proposition no. 2: Network picture overlap is a function of the interaction intensity between actors
Proposition no. 3: Network change is achieved by encouraging network picture overlap within the network

Proposition no. 4: Network change is achieved by establishing relationships with actors having similar network pictures outside the network

Proposition no. 5: Network change is achieved by using power in asymmetrical relationships

Proposition no. 6: Network change is achieved by exploiting activity links or resource ties if these functions are seen as important by other actors

Proposition no. 7: Network change is resisted by confronting network pictures

Examining these propositions in more detail, it appears that propositions 1 and 2 are concerned with how the network pictures are formed or established. Proposition 1 says that actors will have a perception of the network depending upon their position. Proposition 2 says that network pictures are formed in interaction with other actors. The degree to which actors share similar network pictures, is dependent on the intensity of the interaction between them. Thus, network position is important in forming network pictures, but these network pictures are shaped by the interaction between the actors in a network.

Propositions 3 to 7 are all about what role network pictures have in network change and are concerned with actions open to the actors. Proposition 3 suggests that actors need to establish a common frame of reference in order to create change. If the parties are relatively equal, change may be achieved by establishing relationships with actors who share similar network pictures (proposition 4), or using power in asymmetric relationships (proposition 5). Network change can also be achieved by taking up functions perceived as important by other actors (proposition 6). Proposition 7 is about resistance to change as change may be opposed by questioning the proposed new network picture.

These propositions will now be discussed in detail.

9.3.1 Proposition no. 1: Network pictures are dependent upon network position

This proposition suggests that actors may experience the same changes, but their explanation of the changes will vary depending on their network position. Similar thoughts have been suggested by Håkansson and Snehota (1995, p. 272) stating that “given the complexity it is only natural that different individuals’ perceptions of the various activity
links vary.” Håkansson and Snehota (1995) found empirical support for this in a range of case studies, indicating that different views existed of how activities should be performed. But the present study goes further, suggesting that perceptions will depend on position, an issue which is not reflected in the network position literature. What is more, this implies that two actors with similar positions may have similar network pictures. Network pictures are subjective and idiosyncratic to the individual, and two network pictures are never identical. But comparing the initial network pictures at aggregate level in section 8.3 in Chapter 8, this discussion suggests that the intensity of changes described vary according to position. For instance, exporters and importers on the one hand, and retailers on the other hand have richer descriptions and identify more changes than the middle layers. Additionally, actors in the fishmarket do not have as rich perceptions of change as the actors outside the market. The analysis in chapters 4 and 7 further suggests that network pictures vary according to position. Here it is evident that there are similarities between the exporters’ perceptions of their Japanese importers, and vice versa. Further, there are similarities between perceptions of actors within the fishmarket about the actors outside of the market.

A parallel proposition has been put forward by Henneberg et al. (2006b) suggesting that “Network pictures are more similar for individuals in companies which are in a similar network position within a value-creating system” (Henneberg et al., 2006b p. 11). They suggest several reasons for this: Greater sharing of beliefs and greater network picture homogeneity is likely to be present in more closely linked or centralised areas of the network. Further, actors sharing the same type of suppliers and consumers are likely to be in competition and use each other for reference, and finally directly competing actors often share social and informational ties such as trade associations, etc. Henneberg et al. (2006b) do not give empirical support for their proposition. It is out of the scope of the present study to analyse how network pictures are formed, but it may give some support to Henneberg et al.’s (2006b) claim after all: For instance, several exporters have ties to the same Japanese importers and Japanese importers buy from more than one Norwegian exporter. Further, they all have experience dealing with the fish market. There are also strong social and informal ties in the industry, and trade associations such as the NSEC are evident.
9.3.2 Proposition no. 2: Network picture overlap is a function of the interaction intensity between actors

This proposition suggests that in relationships where there is more intense interaction, there is more overlap of the network pictures between the actors. Interaction in this sense means information exchange.

This relationship may be illustrated by the following fig. 9.1:

![Diagram showing the relationship between intensity of interaction and degree of overlap]

Fig. 9.1: Relationship between intensity of interaction and degree of overlapping network pictures

As this is a qualitative study this relationship has not been tested by quantitative methods such as regression analysis, and hence the model must be seen as a visual illustration of a suggested relationship appearing from the data. But it makes sense to discuss the degree of interdependence in these terms. As actors become more involved with each other and share information, they are more likely to understand each other’s perspectives. Their former network pictures may be challenged by their partners and they will over time see the world differently from what they used to. Trust and commitment may also play a role here, as this tends to grow as a relationship develops (Brennan and Turnbull, 1999; Ford, 1980; Håkansson, 1982; Morgan and Hunt, 1994). If actors see their partners as trustworthy, they may be more inclined to take up or buy into a new view of reality. An actor’s opposition to a new network picture may not be as fierce if he believes that his partner acts out of sincerity and a will to invest in their mutual relationship.
A similar proposition has been suggested by Henneberg et al. (2006b) arguing that “network pictures are more similar the stronger the ties between individuals” (Henneberg et al., 2006b p. 14). They do not give empirical support for their proposition, but argue that individual network pictures converge under the influence of social processes and contextual factors (Ford and Baucus, 1987) and hypothesise that the stronger the contextual ties, the more similar the network pictures between managers (Granovetter, 1985). However, they do not suggest a linear relationship, rather an ongoing interaction process. They argue that the similarity of network pictures is relative to the ties between individuals. The present study gives empirical support to these claims, highlighting the role of information exchange.

Parallel suggestions are also found within cognitive group literature (Porac and Thomas, 1990; Porac et al., 1989). Porac at al. (1989) reviewing literature on the cognitive or interpretive side of business activities sees “…human activity as an ongoing input-output cycle in which subjective interpretations of externally situated information become themselves objectified via behaviour…This continual objective-subjective-objective transformation makes it possible eventually to generate interpretations that are shared by several people. Over time, individual cognitive structures thus become part of a socially reinforced view of the world” (Porac et al., 1989 p. 399). They conclude that cognitive and material aspects of business rivalry are thickly interwoven, a discussion similar to the interface between the “real” structures and the “idea” structure debated in Chapter 6.

9.3.3 Proposition no 3: Network change is achieved by encouraging network picture overlap within the network

This proposition suggests that for change to occur there must be some alignment of network pictures. As network pictures are individual to the actor, people are different and network pictures will be different (Ford et al., 2003; Henneberg et al., 2006a; Mouzas et al., 2008). This further implies that interaction always represents a confrontation between two different views of reality or network pictures. In the beginning of this chapter it was suggested that change has to do with obtaining a more favourable network position in order to get access to resources, as seen by the actor. If an actor wants to change his position in the network, he needs to confront the network pictures of other actors. These network pictures are by definition different from his. Proposition 3 suggests that he is most likely to
succeed if he is able to align the network pictures of the other actors with his own. The word optimal is used here to underline that as network pictures are individual, there may never be two identical network pictures. But there may be some amalgamation where the actors agree on what is a “correct” view of reality, be it past, present or future. Thus, by challenging the network pictures of other actors, an actor is able to change his position. A similar argument has been put forward by Johanson and Mattsson (1992), suggesting that actors may change the structure of a network by influencing the network theories of other actors, making the network theories more consistent, or creating a dominant network theory.

However, proposition 1 suggests that network pictures are a function of an actor’s position in a network. Thus, network pictures affect network position and network position affects network pictures. Is this a tautology (true by definition) or is it reflecting reality? A similar discussion has been raised by Morgan and Hunt (1994) regarding whether trust leads to commitment or commitment leads to trust. Probably, the relationship between these two concepts is circular or reciprocal (fig 9.2):

![Fig. 9.2: Relationship between network pictures and network position](image)

This figure suggests that an actor needs to make sense of his surrounding network by developing a network picture where he positions himself in relation to other actors, i.e. his network picture reflects his network position. At the same time, his network picture is determined by his network position as suggested in proposition 1, i.e. his network position reflects his network picture. As his network position changes, so does his network picture. Network pictures are therefore both inputs to and outcome of network change. They help actors to understand their network position and the strategic options available, but they are also results of previous interactions. Furthermore, as the network position of one actor

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changes, other actors’ positions are affected. This implies that other actors also make
cognitive changes and perceive things differently, again representing new challenges to
other actors. As such, this is an ongoing process. This argument is related to Ford et al.’s
(2002) model where network pictures, networking and network outcomes have continuous
effects on each other (see Chapter 5). It also gives substance to a similar typology by
Johanson and Mattson (1992), referring to strategic action in terms of network positions,
resources and network theories: “Thus the quantity and quality of resources influence the
resource interdependencies which are closely related to the exchange relationships and
consequently the network positions. The network position influences network theory since
that theory is to a large extent based on information channelled through exchange
relationships. Of the three types of strategic base the network position has a special status,
since the strategic objectives are also defined in terms of network position” (Johanson and
Mattsson, 1992 p. 189). The present study (and fig. 9.2) indicates that there is a further link
back from network theory to network position.

It appears that an actor needs to challenge the existing network picture of other actors in
order to create change. But since actors make sense of the world according to their network
position, change is only possible when these views are confronted and a new, common
understanding of reality is created. Change is thus the result of a process where network
tables are assessed, confronted and amended, where relationships are changed and where
new network structures are created. Since actors may have conflicting views about the
proposed network structure, the actor with the most convincing arguments, i.e. who
presents a network picture that the other actors accepts as de rigueur, is the one most
likely to change the network in his favour. This is similar to what Johanson and Mattson
(1992) refers to as a dominant network theory. When the new network structure becomes
the established network structure, new actors may yet again challenge this structure, and
the network will change further. This is a never ending process.

When is there an optimal level of network picture amalgamation? The previous discussion
suggests that there needs to be some kind of network picture amalgamation for changes to
occur. Parallel discussions are found in literature inter-firm organisation (Uzzi, 1997),
creativity (Perry-Smith, 2006; Shalley and Gilson, 2004) and learning (Cohen and
A similar proposition is suggested by Kragh and Andersen (2009), stating that “Managed change in networks has a higher likelihood of leading to the intended changes when the different network pictures of the routines subject to change are neither too distantly removed from one another nor entirely overlapping, but instead exhibit some degree of complimentarily” (Kragh and Andersen, 2009 p. 29). In their study of a Danish furniture network they present empirical support for this claim. They suggest the following linkage between network picture overlap and successfully managed change (fig. 9.3):

![Fig. 9.3: Relationship between ability to change and degree of overlapping network pictures. Source: Kragh and Andersen (2009)3](image)

This model suggests that actors are increasingly able to manage change up to a point where further network picture amalgamation becomes ineffective as a change agent. In scenario 1, “the network pictures found within a network are dissimilar to an extent where no – or only a limited – shared understanding of a change project can be established, and whereby it may be impossible to achieve an understanding of the change outcome of other actors like that envisioned by the initiating actor…In other words, if a certain level of network support cannot be mobilized, changes will not take place. When network pictures are highly dissimilar, change projects that appear rational and fruitful to the initiating actor may lie so far outside the frame of reference of other actors that these actors are not receptive to these initiatives”. (Kragh and Andersen, 2009 p. 27). An example of this from the present study is the Tsukiji General Director which has a different perspective on the outlooks of the Tsukiji but his view is not shared by the wholesalers. In this situation, the ability to change is low.
For a change to occur, he needs to challenge the other market actor’s view, or choose to confront the other actors in Ford et al.’s (2002) aspect of networking.

But if the actors become too alike, if they agree too much, the ability to change will diminish, because the network is in danger of becoming static, or what Henneberg et al. (2006a) refer to as ossified. In scenario 2, “network pictures show a high degree of similarity, and conditions for change are also not favourable. Although actors in this case have a shared understanding of activity configuration and role division within the network, successful implementation of a change project is made difficult, as actors may support each other in holding on to established routines” (Kragh and Andersen, 2009 p. 27-28). For instance, the secondary and primary wholesalers at Tsukiji seem to have very similar views about the efficiency of the market. This perspective seems to bar them from changing the market structure as they seem to agree on its efficiency. Porac et al. (1989) refers to this as a cognitive oligopoly where “beliefs are reinforced by a mutual enactment process in which the technical choices of firms constrain the flow on information back to decision-makers, thereby limiting their vision of the marketplace to that which has already been determined by existing beliefs” (Porac et al., 1989 p. 412). Their studies of the Scottish knitwear industry show how collective views inside an industry acts as a barrier to change (Porac et al., 1995). An option for change here is to confront the other actors to achieve less overlap. This strategy is used by the Tsukiji Director General as he brings in new perspectives on distribution to the fishmarket. But Porac et al. (1995) claims that it is difficult to change a structure from within: “while industry models are always contestable, the sociocognitive stickiness exacts a price” (Porac et al., 1995 p. 223). Referring to Abrahamson and Fombrun (1994) they conclude that cognitive reorderings are rarely engineered by market insiders.

The best opportunity for change is scenario 3 where “…different network pictures incorporate partly shared network understandings and therefore complement each other. Here, actors have sufficient insight into the roles and positions of other actors to devise change projects that incorporate the views of others, yet their activities and identities are still so separate that flexibility and dynamics are preserved” (Kragh and Andersen, 2009 p. 28). For instance, Norwegian exporters such as Norway Salmon have been able to develop an efficient distribution structure with Japanese importers (Bluewater), processors (Shoitachi) and retailers (Asahi Retail). The network pictures of these actors seem to be
overlapping in the sense that they agree on allocation of resources (e.g. filleting) and activities (e.g. marketing). In this situation an actor choose to cooperate and not challenge the view of other actors, or conform in Ford et al.’s (2002) terms. But if the actors agree too much (scenario 2) no new ideas come into the network and the network will be less likely to change. Examples of this are the overlapping pictures within the fishmarket network.

Thus, established network pictures needs to be confronted to facilitate change. This idea bears resemblance to Lundgren (1992) who suggests that stability is a prerequisite for change. This also similar to Håkansson’s (1992) suggestion that change is a dialectic evolution where resistance is met by an opposing force creating new patterns. As such, networks are always in transition where new ideas challenge established patterns. The following model is one way of illustrating this process (fig. 9.4):

![Diagram](image)

**Fig. 9.4: Relationship between ability to manage change and network picture overlap over time**

Here, scenarios 1, 2 and 3 correspond with Kragh and Andersen’s model. In scenario 1, there is little overlap of network pictures and the ability to change is low. In scenario 2 the overlap is high and the network becomes static. In scenario 3, the situation is optimal as the degree of network picture overlap is medium, i.e. high enough to create understanding but low enough to create change. This model suggests that network pictures will act as a change agent up to a point where there are no new ideas coming into the network and the network becomes inefficient (scenario 2). But inefficiency leads to frustration, conflicts and disagreements between the actors, and new network pictures may be proposed as a way forward. Hence we see a move from scenario 2 to 4 as the ability for network change is improving. Pressure to change may come from inside the network where the actors
increasingly question its logic, or more likely from the outside where new actors challenge the established ideas. In any case it is the conflicting network pictures which act as change agents, not the overlapping network pictures. The conflicting network pictures appear at the time where the network is perceived as inefficient by the actors. For change to occur, the actors must share an understanding of the best allocation of resources and activities. The actors’ ability to manage change will only become effective when there is a higher level of overlap of the network pictures (scenario 4). If the network pictures become too similar (5) the network again becomes static.

9.3.4 Proposition no. 4: Network change is achieved by establishing relationships with actors having similar network pictures outside the network

This proposition indicates that an actor may change his network position by developing ties to actors sharing similar perceptions about the network. The parties need not be equal in size, but there has to be a shared understanding of how important functions should be allocated. This proposition is related to relationships where interaction is less intense, for instance at the start or the end of a relationship. Norway Salmon for example, who wanted to develop a new distribution structure in Japan, deliberately selected Japanese importers which shared their network picture. After initial meetings and negotiations, the relationships could prosper. This negotiation phase may be seen as a stage where the parties “seek out each others network pictures”. In discussions between Norway Salmon and Japanese companies, the actors realised that they had the same perception of how Japanese distribution should be improved. Because network pictures are idiosyncratic to the individual manager they will never overlap totally, but Norway Salmon was able to change their network in Japan because they found actors who shared their perceptions. The actors hardly came from nowhere; Norway Salmon had been in Japan for 25 years, they knew the market and data from the study indicates that there was some kind of interaction before the new distribution structure developed. But it is fair to suggest that this type of change seems more characteristic for new relationships, whereas the changes discussed in proposition no 3 suggest that this type of change appears within established relationships.

In other words, change may be achieved by encouraging network picture overlap within the network (proposition 3), or by establishing relationships with equals having similar network pictures outside the network (proposition 4). In Norway Salmon’s case, he found
it increasingly difficult to cooperate with actors in the fish market network. He had several options here: conform to the other actors’ network pictures, confronting the existing view held by the wholesalers, or increasing his ties to actors outside the fishmarket with actors sharing his views. In fact, Norway Salmon decided to do all of this; they needed the market share which the fish market represented, but direct distribution was the favoured option. In terms of fig. 9.3, Norway Salmon found it increasingly difficult to cooperate with the fish market, and their network pictures gradually differed from the network pictures held by the fishmarket actors (scenario 1). Norway Salmon decided to find new partners sharing their view. They established new ties and thereby changed the network (scenario 3). At the same time, they kept their ties to the fish market, because they agreed that it plays an important role (scenario 2). On these matters their network pictures resemble the network pictures of the fish market actors. But because they disagree on the general role of the fish market and Norway Salmon deliberately set up a new distribution network and bypassed the fish market, their network pictures will not overlap to the extent that the fish market will change dramatically. Change is more imminent for the distribution structure outside the fishmarket where which Norway Salmon is involved, and where the actors have a higher degree of network picture overlap.

9.3.5 Proposition no. 5: Network change is achieved by using power in asymmetrical relationships

Whereas proposition 4 suggests that change may be achieved by negotiation, proposition 5 suggests that another way to create change is by coercion, or power. Power is traditionally seen as the ability to affect the decision-making and behaviour of others, i.e. to make them do something that they would not have done otherwise (Wilkinson, 1996). In the network approach, the power concept is traditionally seen as a facet of the relationship atmosphere (Håkansson, 1982) where actor bonds entail mutual dependence (Håkansson and Snehota, 1995) and the degree of dependence is reflected in the ability to influence other actors. Power is widely studied within several research traditions. For excellent recent reviews see Ahtonen (2008) or Huang and Wilkinson (2006). For instance, within the marketing channel and supply chain management literature, power means analysing and describing who gets what, where, how and when, and is about the structures of dominance and dependence in business relationships (Cox et al., 2001). Power can also be defined as the ability to control others (El-Ansary and Stern, 1972), the ability to influence others (Mohr et al., 1996), and the ability to evoke others (Gaski, 1984). Power is also related to
perception. French and Raven’s (1959) commonly used classifications of power (reward, coercive, legitimate, expert and referent power), imply that power is based on an actor’s beliefs about the resources of the other party.

When Global Salmon, Rocky Coast and later Supreme Seafood merged, the new distribution structure created a lot of conflict. It was opposed by people from the former Rocky Coast who were used to trading directly with Japanese importers, and they advised against establishing a distribution structure in form of a Japanese subsidiary. There were also disagreements between Global Salmon and Supreme Seafood over what role the Japanese subsidiary should have in the new distribution structure. The new structure was also heavily criticised by Japanese customers who were used to buying their salmon directly from Norway. They resented having to buy from a Japanese subsidiary which they perceived as a competitor.

This is an example of a situation where the network pictures did not overlap; there were differences between Rocky Coast staff and Supreme Seafood/Global Salmon staff, there were differences between Supreme Seafood and Global Salmon staff, and there were differences between Supreme Seafood and the Japanese customers. Despite these differences, Supreme Seafood still managed to change the network. Some customers left (Japanese importers), and some people left the merged company (mainly former Rocky Coast staff). The rest of the actors kept their ties even though they opposed the new structure.

Supreme Seafood managed to change the network because they used their power. They forced a new distribution strategy on their partners and they dumped customers that did not accept the new model. And they recruited new customers who shared their view. It was a calculated move. At first they tried to create change by negotiation and agreement (proposition no 3), but when they realised that they would be opposed, they used their power to change the network (proposition 5). They were able to do this because of their size (30% market share world-wide) and because they control resources which other actors need. The fishmarket still has to buy from Supreme Seafood even if they don’t want to, because Supreme Seafood is one of the main suppliers of salmon in the world. Supreme seafood’s use of power can be analysed in terms of other actors’ dependence upon them, hence power is related to the relationship. But it may also be analysed in terms of French
and Raven’ (1959) classifications. Supreme Seafood used coercive power because they controlled a large market share. But their market share also creates legitimacy to act in terms of their size.

This proposition indicates that using power to create change may work if resource ties and activity links are strong, i.e. the actors are interdependent. Actor bonds may be diminished (i.e. conflicts will arise), but changes will still occur.

As for the role of network pictures related to proposition 5, it seems that when conflicting network pictures emerge, the network picture of the actor with the strongest powerbase in terms of activity links and resource ties becomes the new dominant logic. The new distribution structure was eventually modelled after Supreme Seafood’s network picture. Actors with opposing views either conformed in Ford et al.’s (2002) terms or left the network. This is also similar to what Johanson and Mattson (1992) refers to as a dominant network theory, discussed in proposition 3. But where proposition 3 indicated that network pictures may be changed by negotiations and discussions, proposition 5 indicates that an actor may force its network picture on the other actors. His ability to do so is related to how his powerbase is perceived by these actors.

9.3.6 Proposition no. 6: Network change is achieved by exploiting activity links or resource ties if these functions are seen as important by other actors

Whereas the propositions so far have been concerned with the actor, this proposition addresses the role of resource ties and activity links in change.

From the study it appears that actors such as Asahi Retail, Shoitachi and Norway Salmon have discussed where filleting is best done, i.e. this is a discussion about location of activities and how resource ties should be best utilised. Norway Salmon wants to fillet in Norway because this saves transportation costs; Shoitachi has recently invested in a processing plant and believes he is much better quipped for this operation than the Norwegian exporters; and Asahi Retail also performs in-store filleting. In this network, Shoitachi is seen as the best actor to perform these functions. There is also an agreement about this between the actors, and this is a further example of proposition 3: Network change is dependent on an actor’s ability to enable an optimal degree of network picture amalgamation.
Supreme Seafood also wants to increase their production of fillets in Norway, because they believe that Japanese retailers will lack skilled labour to perform this operation in-store. They believe that this will make them more attractive to the retailers. However, there does not seem to be an overlap of the network pictures here to the same extent as with Norway Salmon’s case. Supreme Seafood has not settled this dispute, whereas Norway Salmon has come to an agreement with the other actors.

The other example illustrating this proposition is how the Tsukiji fishmarket is facing competition by becoming more attractive to retailers and importers and taking up functions they believe are important to these actors, such as storage, processing and improved handling. However, knowing that direct distribution is gaining ground, some actors clearly oppose this view. If actors at the fishmarket want to succeed in changing the network structure to their benefit, they must convince the retailers and exporters that the fishmarket is better at solving these functions than their present location. They must encourage an amalgamated network picture where these functions are located at the fishmarket (proposition 3).

This discussion is also related to power in terms of French and Raven’s (1959) classifications. A function seen as important by the other actors is an example of expert power or legitimate power. This is as a good example of how the ability to exert power relies on the ability to manage perceptions. An actor may be more capable of performing certain functions than other actors in the network, but if his partners do not share this perception, he is not likely to succeed in changing the network. For instance, if Supreme Seafood is allowed to fillet the salmon in Norway, the cost of freight will be reduced and this will be beneficial for the network. But as long as Supreme Seafood does not succeed in persuading the other actors, filleting will be performed elsewhere. One option for Supreme Seafood to change the network is therefore to use their coercive power to perform these functions after all. Norway Salmon does not have the same powerbase. In this network another actor, the processor Shoitachi, has succeeded in taking up these functions because they are seen as capable (i.e. expert power).

Regarding the fishmarket, its powerbase in terms of expert power and legitimate power is reduced as its functions are gradually seen as old-fashioned by other actors and new distribution is taking ground. If the fishmarket is to succeed the actors must be seen by
exporters and importers as better able to perform new functions, i.e. develop a new powerbase. At the moment this is difficult. However, the fish market still has considerable expert and legitimate power as it is perceived by many actors as a guaranteeing variety, stable volumes and access to small-sized retailers.

9.3.7 Proposition no. 7: Network change is resisted by confronting network pictures

So far the propositions have been discussed in terms of network change. But as seen from the literature review, change cannot be discussed without addressing the relationship between change and stability. On the one hand, there are processes aimed at changing the network, on the other hand there are processes striving to maintain stability (Cook, 1982; Geersbro et al., 2007; Halinen et al., 1999; Hertz, 1996; Håkansson and Lundgren, 1992; Lundgren, 1992). If network pictures play a role in network change, network pictures must also play a role in resisting network change. From the study, it appears that resistance to change may be addressed in terms of how actors use network pictures to defer change. This is not addressed in the general change literature, nor is it discussed in the network pictures literature.

There are several examples of how network pictures are used to defer change in the present study. When confronted with the Norwegian exporters’ network picture suggesting that the fishmarket is inefficient, the actors in the fishmarket question the logic behind these assumptions. They hold up a network picture where the fish market performs vital functions, and they are hesitant in taking up the new view proposed by the Norwegians. By clinging to their original network picture, the Japanese resist change. This resembles the discussion relating to fig. 9.3 indicating that change is difficult where network pictures are not overlapping. One of the main criticisms of the fish market is that it effectively bars the flow of information; it prevents retailers accessing information about traceability, and it prohibits exporters from getting access to information about the market and consumer trends. Improved access to information is one of the main reasons why the actors want to change the network structure. In an answer to these criticisms, actors at the fishmarket will nevertheless argue that they are best suited to provide these functions. This is also an example of proposition 5 where some actors try to convince other actors as to why they are best at performing certain functions. Further, Norwegian exporters claim that Japanese wholesalers discourage them from trading directly with the retailers, because they will never fully understand Japanese culture and Japanese distribution. By their arguments, the
wholesalers actively confront the proposed network picture in an effort to maintain stability (proposition 7) by arguing in terms of their superiority in performing vital functions (propositions 6).

As such, this story is reminiscent of the story about Magellan at the start of the thesis. Magellan introduced a new network picture, very different from the dominant logic of the time. This logic had ossified the network (the traditional over-land spice routes) but it also helped support the functions of the actors (the Arab merchants). Magellan’s bold attempt persuaded other actors to share his network picture, and the overlap between the network pictures was reduced. Gradually, the network changed as Western merchants started to use the newly discovered sea-routes to the East. And the rest is history…

9.4 Managerial implications

Strategy as a topic has not received the same attention within the network approach compared to the general marketing literature (Baraldi et al., 2007a; Gadde et al., 2003). This is not because strategy is seen as less important, rather because the network approach focuses on the relationship and not the actor. General marketing literature highlights the actor’s ability to influence and compete within its marketing environment (see literature review in Chapter 2). The network approach is less concerned with the competitive aspect, and more concerned with how mutual interdependence affect the actor. In this context, the actor’s ability to act seem somewhat limited because of an infinite web of ties: “Accordingly, to suggest strategies for action is problematic: The sheer unknowability of effects and outcomes in a network means that we may even conclude that the effectiveness of strategic business decisions over time is likely to be largely a matter of luck!” (Ford and Mouzas, 2007, p. 8) Strategy in the network approach thereby becomes an issue of handling the complexity of interdependence, moreover “strategic action is defined as efforts of a firm to influence its position in the network of which it is part” (Gadde et al., 2003, p. 358). Still, it is possible to say something about strategies open to management, and there is also increasing interest in this topic within the IMP tradition (Baraldi et al., 2007b).

For management practice, this study suggests that network change cannot be explained without first understanding how managers perceive their company’s position in relation to the network in which it is embedded. Instead of suggesting that managers should analyse
their company’s macro-economic environment and make their decisions based on this analysis, the perception of a manager’s network (and knowledge of the representations used by other actors) represents a better way of explaining the options open to management, or the limitations of his actions. Managers base their decisions on how their future network positions are believed or desired to be. Strategy thereby becomes a process of using network pictures to change or influence the network to obtain a desired network position.

Throughout this chapter various options open to management have been discussed. The obvious question is therefore: In what situations do the various options apply? One way to characterize relationships is in terms of interdependence. Interdependence may vary according to the strength of activity links, actor bonds and resource ties shared by the actors. Interdependence is related to power and position, as discussed in this chapter. Interdependence is also a key concept within the network approach. Another way to classify relationships is in terms of power. Power has also been a central part of the discussion in this chapter as it is related to how the parties perceive their dependence.

Two dimensions of discussing managerial implications are therefore presented in the following matrix (fig. 9.5):

<table>
<thead>
<tr>
<th>Strong resource ties and activity links</th>
<th>Power equally distributed</th>
<th>Power unequally distributed</th>
</tr>
</thead>
<tbody>
<tr>
<td>A: Proposition 3</td>
<td>Proposition 7 (low)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Weak resource ties and activity links</th>
<th>Proposition 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>C: Proposition 4</td>
<td>Proposition 7 (low)</td>
</tr>
</tbody>
</table>

| D: Proposition 6                     | Proposition 7 (medium) |

Fig. 9.5: Change options depending on relationship characteristic

The x-axis features power in terms of whether it is equally or unequally distributed. The y-axis features interdependence in terms of whether resource ties and activity links are strong or weak in the relationship. Activity links and resource ties as highlighted here because the
interplay between these two facets of interdependence has been discussed throughout this chapter. Actor bonds are represented in the matrix in terms of the power dimension. Note that propositions 3, 4, 5 and 6 are used as they are concerned with options open to management. Proposition 1, 2 and 7 are seen as generic in this context. For instance, proposition 1 says that actors perceive the network depending upon their position. Proposition 2 says that network pictures are formed in interaction with other actors. Proposition 7 has to do with resistance to change, and applies in all four situations but to varying degrees.

Presenting relationship typologies in terms of a matrix is of course a simplified version of complex issues. Two-by-two matrices or portfolio models have indeed been questioned as to whether they are appropriate for discussing the complexity of business relationships and networks (Dubois and Pedersen, 2002; Turnbull, 1990; Zolkiewski and Turnbull, 2002) but are also seen as relevant representations as a number of papers within the network approach have had these type of models as starting points for their discussions (Geersbro et al., 2007; Ritter et al., 2004).

These four relationship typologies will now be examined in more detail:

**Relationship type A: Equal power and strong interdependence**
This relationship is characterised by strong interdependence and equally distributed power between the actors. Because power is equal and the resource ties and activity links are strong, none of the actors have a particular need to seeking alternative ways to access important resources. As the actors’ ability to use force is low, change is related to their ability to create an optimal degree of network picture amalgamation (proposition 3). This may be done by negotiation where the parties seek to present arguments in favour of their sensemaking devices. The relationship may be in danger of becoming ossified if the actors’ perceptions become too similar. One strategy may therefore be to ensure that there is enough network picture overlap to ensure stability and predictability (conform), but to seek for new inputs from outside the network and accept some friction to ensure the dynamics of the network (confront). Resistance to change in terms of opposing network pictures (proposition 7) will be low if the actors succeed in creating a common frame of reference by negotiation.
Relationship type B: Unequal power and strong interdependence

In this type of relationship, power is asymmetrically shared. This means that an actor may use his powerbase to create change. A precondition here is that the actor possesses resources attractive to the other parties. Network picture overlap is not crucial for change because strong interdependence makes it difficult for the actors to seek alternatives. However, the extent of network overlap is a function of the intensity of interaction between the actors (proposition 1). Network picture overlap will therefore increase over time as this relationship type is characterised by strong interdependence. But if an actor decides to use force to create change, and the degree of network picture overlap is low, there is a high probability for resistance to change in terms of opposing network pictures (proposition 7).

Relationship type C: Equal power and weak interdependence

Here the power is symmetrical, but because resource ties and activity links are weak, for instance at the start or the end of a relationship, change may be achieved by proposition 4, establishing relationships with (relative) equals sharing similar network pictures. Another option to achieve change is proposition 6, exploiting activity links or resource ties if these functions are seen as important by the other actors, thus creating stronger ties this way. Resistance in terms of opposing network pictures (proposition 7) may be low here as the parties have overlapping network pictures in the first place.

Relationship type D: Unequal power and weak interdependence

Here power is asymmetrical, and the resource ties and activity links are weak. Hence, it is difficult to use force. Rather, change is achieved by proposition 6, exploiting activity links or resource ties if this function is seen as important by the other actors. Resistance to change will depend on the extent to which the actors agree on where this function is best located. Change is more likely if the partners have a mutual understanding. If the parties disagree, chance is that change will be resisted in terms of opposing network pictures (proposition 7).

Having looked at some of the theoretical and managerial contributions here follows an overview of methodological contributions.
9.5 Methodological contributions

This study has presented two main themes: Firstly, it has developed a model (Model 4) illustrating how actors describe and explain network change. Secondly, this model has then been used to analyse data collected in a case study aiming to understand current changes in Norwegian-Japanese seafood distribution networks, both for individual actors and between actors. The model represents a systematic way of using network pictures to analyse actor perceptions of change in networks, and herein lies its main methodological contribution. The network pictures concept has so far mainly been discussed as a theoretical construct (Ford et al., 2002; Ford et al., 2006; Henneberg et al., 2006a; Mouzas et al., 2004) and only a few studies exist using network pictures as a research tool (Kragh and Andersen, 2009; Öberg et al., 2007). A further contribution of the study relates to the conceptual link between network pictures and their use to understand network changes. Industrial networks are dynamic, and there is growing interest within the industrial network approach to understand how networks change, and how perceptions of change affect these changes. Nevertheless, using network pictures to understand change has so far not been attempted.

In the process of developing model 4, several models were rejected (Model 1, 2 and 3). However, these models also offer contributions in their own right. Model 1 explains how change transmits through the actor, dyad and network level of the network, and as such it builds on Håkansson and Snehota’s (1995) model explaining the relationship between changes in actor bonds, resource ties and activity links (the ARA-model, fig. 2.2). But the present study further suggest that the way changes are perceived also has an impact on network change, and this relationship is not represented in Håkansson and Snehota’s (1995) model. Further, Model 2 suggests that change transmits through the network in a cyclical pattern, and as such it represents a continuation of Halinen et al.’s (1999) model of connected and confined change. However, Model 2 highlights an interface between cognition and action which Halinen et al.’s model does not reflect. Finally, Model 3 illustrates the relationship between idea structures and real structures, and builds on Håkansson and Waluszewski (2002) model of idea structure and activated structured. However, testing Model 3 empirically, the study indicates that it is difficult to use Håkansson and Waluszewski’s (2002) model as a methodological model to examine actor’s representation of changes.
One important theoretical contribution of this study is therefore that it indicates that these three models are inadequate in understanding the relationship between how actors understand and explain network changes, which is the purpose of model 4.

Furthermore, by developing dottograms, the study shows how network pictures can be collected and analysed, also in a comparative way between actors. In case study methodology, although there are “probably as many approaches as researchers suggesting ways to make collected data fit for analysis”, write-ups are often purely descriptive (Eisenhardt, 1989, p. 540). Here the dottogram represents a valuable contribution to case study research as it enables systematic within-case and cross-case analyses, an integral part of the case study research process.

From a methodological point of view, the dottogram offers new insights in that it captures an understanding of change in several dimensions. First, there is what Ford et al. (2008) refer to as the space dimension. Dottograms imply that change may be studied according to whether it happens within a company, in the relationship between companies, and/or in a network of further connected relationships, similar to what Halinen et al. (1999) refers to as confined change (in the relationship) and connected change (in network of connected relationships). It provides a way of comparing subjective interpretations of several actors, a key issue in understanding interaction: “…subjective interpretation means that the actions of actors will be based on their individual interpretations of the actions of others and of the world around them. One of the important consequences for the researcher is that subjective interpretations separate the reasons for actions from their effects … Interpretation means that the subjective dimension becomes important, as there will be variation between the interpretations of different actors” (Ford and Håkansson, 2006, p. 15). The dottogram addresses both these issues as it allows the variation in interpretations between different actors to be compared systematically.

The model allows both retrospective, real time and future data to be compared at one point in time. It incorporates the time dimension as change is seen as something that was (past), to something that is (present), and to something that will be (future). It provides a starting point for analysing interaction in time, as “history matters in interaction and so do future expectations. In fact, interaction is difficult to delimit in time. It has no easily identifiable beginning or end” (Ford and Håkansson, 2006, p.7). Locating interaction in terms of
network pictures of the past, present and future, network pictures provides a helpful tool for the researcher here. The dottogram model offers a way to understand how actors explain change, as the attribution of causes may be studied separating whether they appear at the actor, dyad or network level, both at present and in the future. Thus the dottograms are an exemplification of what Ford et al (2008, p. 23) describe as “The ability to analyse and cope with changes in relation to space dimensions becomes a key issue for actors.”

The dottogram further provides one answer to what Ford and Håkansson (2006) define as a key problem of understanding interaction in that it is “…difficult to make sense of these alternative possible outcomes [of interaction]…. Similarly researchers will find that the multiplicity of simultaneous interactions, both between and outside of any dyad, makes it effectively impossible to construct distinct causal links between particular episodes and outcomes of interaction” (Ford and Håkansson, 2006, p.7). Dottograms hence provide as way of linking causes (the why-column) and effects (the what-column). Not in the positivist sense, but using subjective interpretation of the respondent to understand these links. This way the dottogram addresses another problem of interaction, “…researchers seeking to explain interaction over time will have to be more interested in the evolving views of the actors, rather than attempting to model the sequence of cause and effect in a supposedly objective way” (Ford and Håkansson, 2006, p. 9).

The model and operationalisation via the dottogram method opens a variety of ways to understand change in networks. The case studies of the Norwegian/Japanese seafood distribution have described how different actors in a distribution network describe and explain change. Important observations and analyses can be made in terms of where change perceptions are similar between actors with different positions in the network, and where they differ. This also includes comparisons of the attributions, i.e. the reasons for change: Actors may describe similar changes, but attribute them to different causes (or for that matter have similar explanations for different events). For case study research, this provides a window for interesting combinations of analyses and insights. For instance, further research including a wider sample (i.e. several exporters, importers, processors and retailers) could analyse in more detail whether and how perceptions differ within the network depending on network function/position. Another way is to structure the analysis in terms of cultural background (Norwegian/Japanese). This model also opens possibilities for further studies and comparisons of perceptions across different networks.

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The study described in this paper is a cross-sectional study of actor perceptions in a network. Although the study analyses different time dimensions (past/present/future), the data are collected at a given point in time. However, it is possible to use the model and dottogram method for a longitudinal study. In the present study actors were asked to describe their network at three points in time: five years ago, today and in five years time. Changes from the past to the present are discussed in terms of how the network today differs from what it used to look like, and future changes are discussed in terms of what will change from today’s situation. If a similar study is conducted in five years time, this will give unique insight and comparisons in terms of what the actors believed would happen and what actually happened.
Chapter 10: Evaluating the study - a reflective account

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Ch.10 A reflective account  Evaluation in terms of a reflective account of the study, discussing its limitations

10.1 Introduction

I end my thesis with this personal account, reflecting on the content, process and premises for the study. A critical, retrospective look at the process will hopefully say something about the quality of research which has been undertaken, some of its limitations and suggestions for future research. It also acts as a summary of the thesis.

Reflecting on my writing, qualitative research implies a greater presence of the researcher in the writing style (Cassell, 2008). In the previous chapters I have used a depersonalized style. I am aware that an impersonal style may be seen as reflective of the dominant quantitative paradigm, but I have done it this way as this has given me more independence from the text, yet tried to craft the writing is such a way that it is a subjective reflection of the research process. It also indicates that I can use a variety of stylistic devices, another quality of a good qualitative researcher. However, I deliberately use the personal pronoun in this account because this is my interpretation of the process.
10.2 Defining reflexivity

As discussed in chapter 3 on methodology, qualitative research implies a type of evaluation criteria different from research in the positivist tradition, where criteria such as validity and reliability have been introduced to assess research quality. In the qualitative tradition we have to look for other ways of evaluating research. Defining research criteria however is difficult, because qualitative research criteria are often defined in contrast to quantitative criteria. Guba and Lincoln (1994) have for instance replaced internal validity with credibility, external validity with transferability, reliability with dependability and objectivity with confirmability. The development of a contingent criteriology to evaluate qualitative research has therefore been called for (Johnson et al., 2006). Qualitative research is an ongoing process and in the introductory chapter I started out arguing that the researcher must continuously reflect on ideas, process and outcomes of the study. This process is also referred to as reflexivity, and is the researcher’s self-evaluation of his research. It bears resemblance to confirmability or self-criticism in Guba and Lincoln’s (1994) terms.

Reflexivity is gaining increasing attention among qualitative researchers, as they realise the importance of what Weick (1999) refers to as thinking about our own thinking in understanding our role as researchers (Johnson and Duberley, 2003). Reflexivity is seen as rather a favourite word at the moment (Pink, 2004) or something of a buzzword (Goldthorpe, 2000) although it is not constrained to qualitative research. Sociological ethnographers even refer to it as a “third way” between art on one hand, and positivism on the other (Goldthorpe, 2000) where reflexivity is seen as similar to “humanistic” or “critical” approaches in social science (Brannick and Coghlan, 2006). Johnson and Duberley (2003) argue that reflexivity in itself is influenced by underlying epistemological assumptions, and is not related to any particular epistemological paradigm. They suggest that reflexivity may be subdivided into three categories; Methodological reflexivity (related to positivism), epistemic reflexivity (related to critical theory) and deconstruction/hyper-reflexivity (related to relativism). Alvesson et al. (2008) voice similar arguments and conclude that reflexivity can be defined either as D-reflexivity which means “deconstruction, defence, declaring destabilizing and danger-warning” or R-reflexivity which refers to “reconstruction, reframing, reclaiming and re-presentation” (Alvesson et al., 2008, p. 494). But the importance of reflexivity has largely been
proposed within the qualitative research tradition as it is “the way qualitative researchers strive for reliability and validity” (Brannick and Coghlan, 2006, p. 145).

Reflexivity is defined as “noticing, evaluating and being suspicious of the relationship between the researcher and the objects of research” (Johnson and Duberley, 2003, p. 1279), or “the conscious and deliberate inclusion of the full self throughout the research process; this involves continuous, intentional and systematic self-introspection” (Dupuis, 1999, cited in Brannick and Coghlan, 2006, p. 145). Further, “a reflexive research methodology explicitly incorporates the researcher and her experiences into the analysis and theory-building endeavours, and it demands the conscious and deliberate inclusion of self-disclosures” (Brannick and Coghlan, 2006, p. 149)

The process of reflexivity is similar to the conventional process of reflection. Reflection means “thinking about the conditions for what one is doing and investigating the way in which the theoretical, cultural and political context of individual and intellectual involvement affects action” (Brannick and Coghlan, 2006, p. 155). It implies stepping back from experience, interpretation and taking new action. Mezirow (1991) identifies three forms of reflection useful for this purpose, content (one thinks about the issues and what is happening), process (one thinks about the strategies, procedures and how things are being done) and premise (one critiques the underlying assumptions).

My study is an iterative or explorative study, fully grounded within the qualitative research tradition. Chapter 1 presented an overview of the research process (see fig. 10.1 next page), and as this figure indicates I have reflected around theory, method, and empirical cases throughout the thesis. Furthermore, during the research process I have presented five competitive papers at academic conferences, and presented the study at numerous doctoral courses, internal workshops and seminars at the Norwegian School of Management and Manchester Business School, getting valuable feedback and developing my study even further. As such the study has been written in a reflexive way, although it probably does not adhere to all of the definitions cited above.
10.3 Initial research question

To start with my research question was “how do actors in business networks adapt to changes?” This question emerged from an extensive literature review of industrial network theory and a look into current business practice regarding Norwegian salmon exports to Japan. Towards the end of the literature review in the second chapter, I proposed...
Model 1 as a way to analyse changes in networks. My initial research design was in many ways limited by several factors. First, I was asked to join a research group (the NewMark Project) at the Norwegian School of Management (BI) as a doctoral researcher. This research group had previously received funding from the Norwegian Research Foundation to look at the competitiveness of Norwegian seafood on the world market. This represents a limitation in context as my research had to deal with seafood in some way or another. Second, this research group is very much influenced by the network approach to industrial marketing (Ford et al., 2002; Håkansson and Snehota, 1995) and my project manager, Prof. Håkan Håkansson, is one of the “founding fathers” of the Industrial Network Approach. This approach favours qualitative research, more precisely case studies and in-depth interviews. It is often criticised by a number of researchers within the positivist tradition using transaction-cost economics and micro-economic theory to explain industrial marketing (see the literature review in chapter 2), and it has been interesting to observe this epistemological “rivalry” taking place from inside the marketing community. In retrospect I see that I have taken side here as the network approach was my theoretical and methodological starting point, and I have adhered to it throughout the thesis. The network approach was (and perhaps still is) much of an “underdog” in the industrial marketing field, and I have thoroughly enjoyed the process of challenging an established field of thought, literally having to defend my stance when I have presented the study outside the research community. Perhaps my findings concerning the need to challenge established ideas to manage change are reflected in my own process?

Subsequently, I decided to use case studies and in-depth interviews. Not only because it is de rigeur in my research community, but also because I see a lot of reasons why qualitative research is applicable to my research purpose (see chapter 3). Further, I became familiar with qualitative methods when I wrote my M.Sc. thesis, also within the industrial network tradition (Abrahamsen, 1992). Finally, I have gained experience with qualitative research from working for six years as a management consultant. So in a way I chose this research tradition as much as it chose me. Reflecting on using case studies, some of the general concerns when doing case study research may be voiced. Dubois and Gadde (2002a) for instance discuss a number of limitations: First, case studies are seen to provide little basis for scientific generalization (Weick, 1979; Yin, 1994). Second, case studies are often rich descriptions of events without clear analytical framing; they at best only partially support quasi-deductive theories, and they suggest some notion of statistical generalization where
multiple case studies are used (Easton, 1995). Dubois and Gadde (2002) introduce the “abductive approach” to case study research, also referred to as “systematic combining”, where “theoretical framework, empirical fieldwork and case analysis evolve simultaneously” (p. 554). This has also been my experience in developing the model and the dottogram method.

10.4 Method and sample, preliminary study

I decided to focus on the Japanese market for salmon. Western companies meeting Japanese business culture was the topic of my M.Sc., and Japan constitutes an important market for Norwegian salmon. Using the Network Approach to analyse relationships between Norwegian exporters and Japanese importers has not been undertaken before, and in this respect I believed my study would be a contribution to knowledge.

I carried out a preliminary study of five Norwegian salmon exporters and seven Japanese salmon importers in 2006. The Norwegian sample was identified by crosschecking information from preliminary discussions held with key actors in the seafood industry with official Norwegian export statistics. Looking at this now, I see that I was perhaps too dependent on information given to me during these early discussions with key informants, as the information I got was limited by their individual network pictures. But this exploratory method put me in contact with the main actors, and my subsequent data analysis confirmed this.

The next step was to identify the Japanese sample. Here, I was fully dependent on cooperation from my Norwegian sample. In Japan, relationships are paramount and coming as an outside researcher imposes a number of problems regarding access. At first I attempted to get in contact with Japanese importers through Norwegian government agencies, believing that recommendations from this third party would ensure some kind of objectivity to my study. I contacted the Norwegian Embassy and the Fisheries Councillor in Tokyo, but I was strongly advised to use the Norwegian exporters to set up the interviews. This is in line with general literature on the accessibility of the Japanese market; contacts are difficult to get without some prior introduction by an esteemed partner (see chapter 2). I am aware that this may pose a question concerning the quality of my research, as I needed to get friendly with my Norwegian respondents to access their customers, yet maintaining a professional distance during the interviews. Additionally,
when interviewing Japanese importers, these respondents knew that I came highly recommended by exporters they were asked to assess critically. This dilemma can be difficult to handle for the Japanese. In general they tend to smooth over differences and seek a harmonious relationship atmosphere. I tried to overcome this by rephrasing my questions a number of times so that I eventually would get to the core of the subject. In this way I have tried to maintain credibility in Guba and Lincoln’s (1985) terms, i.e. whether the data are authentic representations of the respondents’ views.

10.5 Findings from preliminary study

The preliminary study confirmed that traditional fish distribution is being replaced by direct distribution, where large importers and retailers are bypassing layers at the traditional fish markets (see chapter 4). Perhaps the most interesting finding was realising that actor perceptions seem to play a role in network changes. This led me to question whether it is the perception of change rather than the change itself which has effect on networks. I subsequently proposed a new research question: “what role do actor perceptions play in network changes?” and introduced models 2 and then model 3 as revised ways of looking at changes in networks (see chapter 5).

I decided to use the network picture concept as a way of looking at actor perceptions. I later realized that I had stumbled upon an epistemological debate within the industrial network approach here. One line of thinking, taking a more realist view of networks, treats the network as an entity which is measurable and identifiable, whereas another line of thought argues that what we see is a not the network, but the representation of the network, i.e. the respondent’s network picture. My supervisor Prof. Peter Naudé and his colleagues at MBS have this more constructivist or postmodern view. Still this issue is debated at IMP conferences, and many of the papers presented on network pictures are accused of bringing “too much psychology” into the IMP Group. I was even accused of “polluting the IMP” at my first conference in Milan, 2006. Again, I see that I am challenging the established paradigm, even inside the industrial network tradition.

10.6 Methods and sample, follow-up study

To answer the new research question I carried out a follow-up study in 2007. This time I traced the route of the salmon through the two systems suggested in Model 3; the fishmarket and the direct distribution system. I interviewed actors about how they
understood and explained change. This imposed another issue regarding research quality as I was dependent on the Japanese importers’ good relationships with their customers to get access to actors in the two distribution channels. Representatives from the Japanese importers were present during my interviews with their customers, and they also acted as my interpreters on some occasions. This raises a particularly troublesome point regarding research quality; I was in fact using suppliers as interpreters when interviewing their customers about the relationship with the same suppliers! I could have used a third-party interpreter, but this would not have given me the same degree of access. I solved this issue by rephrasing my question in a number of ways in an attempt to get to the core of the subject. I also briefed the interpreter thoroughly before each interview. Some interpreters carried out several interviews, and thereby increased their learning as the process went along.

10.7 New model

As discussed in Chapter 6, I found that a lot of the changes discussed by the respondents could be mapped along the activated structure dimensions presented in model 3. However, it became more challenging using the idea or network picture dimensions. I had problems deciding whether a change should be classified as a change in the respondent’s idea structure/network picture, or a change in the actual network. It became difficult to isolate whether this is a real change, something that is actually happening, or whether it is the respondent’s own perception of what is happening. This is an epistemological debate which is covered in chapter 6.

Subsequently, I introduced Model 4, the dottogram model, to distinguish between how a respondent describes a change, and how he sees what causes this change. The dottogram may look simplistic at first, but it provides a structured approach for analysing a range of dimensions related to network change (see chapter 9 for methodological contributions). Yet is has some obvious limitations. First, it presents an account of how actors perceive changes affecting different aspects of the network. As such, this is not a representation of “reality”, but represents perceived reality, i.e. a socially constructed view of the world. It bases its foundations on the concept of network pictures and sensemaking, where reality is an idiosyncratic construct. Other research approaches taking a realist view may shed light on changes affecting the actors, but where the actors are not aware of them. But when studying changes, we actually study the outcomes of change, i.e. the product, not the process of change. Changes can only be understood in retrospect. It therefore makes sense
to describe changes in terms of the actor’s perception of them, because it is these perceived changes which serve as basis for their actions (Ford et al., 2003). In a way, both the what-columns and the why-columns are sensemaking devices. The changes described in the why-columns affecting the what-columns obviously happen because of yet other changes. Metaphorically one could envisage a model where there were multiple what- and why-columns as explanations for changes seen by the actors, but the dottogram model is restricted to how the actor sees the changes affecting his network on these two dimensions. As such it is useful to talk about network pictures because this is the way an actor makes sense of what is happening in his network.

A second limitation is the dimensions of the model. The model is concerned with time- and space-dimensions, but it does not take into account other dimensions such as company performance. As such it is descriptive, not normative. This study addresses the actors’ view of their own performance, but it is not backed up with financial information. Further research on network pictures related to company performance could shed interesting light on this issue. For instance, it would be interesting to study the propositions related to the role of network pictures in managing change developed throughout chapter 9, and the strategic options presented towards the end of the chapter, from a normative viewpoint.

10.8 Data analysis

Model 4 made it possible to analyse a large amount of data (see chapter 7). This is a qualitative study, and qualitative studies tend to be lengthy. But the length of this thesis is also a reflection of the complexity and level of details of the data collected. Another reason for the length is that the data analysis features a range of quotes from the respondents. These are deliberate insertions because it helps maintain credibility in Lincoln and Guba’s (1985) terms, i.e. to what degree the data are authentic representations of the respondents. To reduce the magnitude of the text, Wolcott (2001) advises that we can rearrange our work, remove non-essentials and publish somewhere else with a bigger word limit (Cassell, 2008). The latter is a bit difficult here as this is a PhD thesis, but throughout the process I have rewritten the cases presented in chapter 7 a number of times. First I wrote up all the cases from memory when I returned from Japan the second time. Using the photos and the research notes, I put together a text presenting the flow of distribution and the respondents’ account of changes. The first part of each case in chapter 7 is largely kept the way it was first written, but the respondents’ description of changes have been
completely rewritten and analysed according to the dottogram model. Using the model in the write-up of the data, the dottograms have allowed for a rigorous, transparent and systematic analysis of data. It provides what Lincoln and Guba (1985) refer to as dependability as it minimizes the researcher idiosyncrasies. Further, it helps synthesizing in Morse et al.’s (1994) term, as it provides a systematic way to identify patterns in the data. Even though qualitative work carries its meaning in the text (Richardson, 2000), the initial and extended dottogram helps to present the data in an understandable and coherent way. It has further enabled structured intra-case and inter-case analyses. It also represents a way of separating data presentation from data analysis, and this makes the text more structured.

At an early stage of the data-analysis I considered using computer aided qualitative data analysis software (CAQDAS). Computer software is useful for coding, sorting and comparing data (Dey, 1993). There are several programs available, where NVivo is the most widely used (Bazeley, 2007). Although helping the researcher structuring the data, such programs are no substitute for thinking about the data, interpreting what the data actually mean. The analysis still has to be done at some stage by the researcher. Software programs are also seen as over-emphasizing the coding and promoting a superficial overview of the data. I attended an NVivo course at the Cathie Marsh Centre for Census and Survey Research (CCSR) at the University of Manchester, School of Social Sciences, and used data from Case 1 in an attempt to test the applicability of NVivo to my study. Eventually I decided not to use it as I believe using the dottogram method to manually code, sort and compare the data has given me more closeness and familiarity with the data.

10.9 My network picture

When I started this study I talked to Norwegian exporters and other practitioners with knowledge of the Japanese market, and I got several convincing arguments implying that Japanese traditional distribution was old-fashioned and ineffective. This picture was nuanced somewhat when I travelled to Japan for the first round of interviews and got the Japanese importers and the Tsukiji wholesalers’ versions. Even though I am supposed to be unbiased as a researcher, I think it is fair to admit that my own network picture about the Japanese distribution system is influenced by the account made by the Norwegian exporters and some of the Japanese respondents critical to the fishmarket. I share the view that this system is rigid and inefficient for large scale distribution at a time where mergers
and acquisitions are increasingly common. In fact, after I collected the second round of data, Norway Salmon became the target of a hostile takeover by another Norwegian producer. This means that all the major Norwegian exporters are now merged into even larger units. At the same time the fish market has its obvious advantages, and I was impressed with the chaotic yet structured atmosphere which characterises the Tsukiji. But I saw the system as a foreigner, a *gaijin*. Being a Norwegian researcher I can never fully understand the system. I have to make sense of it based on my own stereotypes, my own experience, and hopefully have produced a representative account about the actors who encounter it. This implies that I have changed my perception of the fishmarket along the way, as my network picture has been challenged and changed in my meetings with the actors during the process.

This is also evident when comparing the network pictures presented for instance in chapters 4 and 7:

Fig. 10.2: Traditional network picture featured in preliminary study

![Diagram](image1)

Fig. 10.3: Direct distribution network picture featured in preliminary study

![Diagram](image2)
Comparing these three network pictures, it is apparent that after the preliminary study I saw two distinct types of networks. My network picture was limited to the number of actors identified by the exporters and the importers. After the follow-up study, I presented one large network where I did not separate between direct and traditional distribution, but identified the actors which were commonly referred to as the “fishmarket”. My network picture was richer because I had followed the distribution of the salmon throughout the network and could identify more actors because I had visited them myself.

In retrospect, I also realize that I presented the new network picture this way because this would help me to structure the analysis. I also see another interesting interpretation: This is actually a picture of two networks, the “Norway salmon network” and the “Supreme Seafood network”. When studying the picture more carefully, I see that I have not made any connections between these two networks. Another way to structure the analysis could...
have been to look at two cases instead of five. This would perhaps have given another perspective and findings.

This aggregated network picture incorporates both the fishmarket and the direct distribution network. But these words are only – words. The term *fishmarket* is actually a network picture. There is no such thing as a fish market in reality; the fish market exists only in the minds of the actors. There is indeed a physical location at Tsukiji, but the term *fishmarket* has come to represent all the stereotypes and everything which is difficult about selling seafood in Japan. The Norwegian exporters’ views are preconceived in this sense. Using the word fishmarket they have already made up their mind about the ineffectiveness of the Japanese market. If they took a view of the network where the actors were seen as independent actors, not fishmarket actors, they would perhaps have had better options in dealing with it. But this is difficult as their options are dependent on stereotypes and experience, reinforced by interaction.

Maybe the present study will help in this sense, as new perspectives on Japanese fish distribution will elicit new strategic actions and new learning. Understanding the role of perceptions in networks, actors may find better ways to cope with change.

10.10 My learning

I started this thesis saying that writing a PhD is as much telling a story as it is a scientific exercise. Reflecting on my own learning throughout, it is clear that I have gained insight on a range of issues. Using the dotogram to analyse how my own perceptions have changed, this may be presented as follows:
### Fig. 10.5: The dottogram model applied to my learning process

<table>
<thead>
<tr>
<th>Future</th>
<th>What - column</th>
<th>Why - column</th>
</tr>
</thead>
<tbody>
<tr>
<td>Theory</td>
<td>Methodology</td>
<td>Context</td>
</tr>
<tr>
<td>• Explore NP overlap</td>
<td>• Develop dottograms further</td>
<td>• Direct distribution will grow</td>
</tr>
<tr>
<td>• Resistance to change</td>
<td>• Longitudinal studies</td>
<td>• FM will not disappear</td>
</tr>
<tr>
<td>• Organisations manifestation of NPs</td>
<td>• Compare dottograms within companies</td>
<td>• Difficult for small actors to survive</td>
</tr>
<tr>
<td>• Financial performance and NPs</td>
<td>• Action research</td>
<td>• Norwegian share of market will decrease</td>
</tr>
<tr>
<td>• Compare study with data from Chile and Portugal</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Present | | |
| Theory | Methodology | Context | Theory | Methodology | Context |
| • “Up to date” on network theory | • Understand how to apply a range of methods | • Understands the complexity of seafood distribution | • Familiar with new literature | • Became familiar with a whole range of literature on qual. data analysis | • Talked to people in the industry |
| • Differences in NPs the issue, not cultural differences | • Developed my own methodology based on template and thematic analysis | • No clear cut old/new distinction | • Presented at conferences | • Attended PhD courses at MBS and BI | • Read reports and literature |
| • Made contribution to understand change and NP, network positioning and options for management | • Made contribution to methodology and case research | • Pressure to change is strong | • Doctoral courses | • Attended seminars and conferences | |

| Past | | |
| Theory | Methodology | Context | Theory | Methodology | Context |
| • Knew IMP from MSc thesis | • Not very familiar with qualitative data analysis | • Knew little of Japanese distribution | • “80’s” view at networks | • Limited knowledge of qual. analysis from MSc thesis and consulting background | • Some knowledge of cultural differences |
| • “80’s” view at networks | • Cultural differences main issue | • Some knowledge of cultural differences | • Psychic distance important | • Talked to people in the industry | |

| | | |
| Theory | Methodology | Context | Theory | Methodology | Context |
| • Mergers at retailer and exporter level will resurface | | | • Norwegian share of market will decrease | | |
| • FM will not disappear | | | • Developed my range of methods | | |
| • Retailer and exporter driven development | | | • Understand the complexity of seafood distribution | | |

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With reference to fig. 10.5, I will now present my learning process in terms of context, methodology and theory:

10.10.1 Context
I knew little about Japanese seafood distribution when I started my PhD. I had some knowledge of cultural differences between Japan and the West because this was the main topic of my MSc thesis. But talking to people in the industry and reading about Japanese distribution in general and Norwegian, Japanese and global seafood distribution in particular have given me much insight. Having studied this context in detail, I now understand the complexity of seafood distribution better. There is no clear cut distinction between traditional and direct distribution, as each system fulfils a particular role. But traditional distribution is facing strong pressure to change towards direct distribution, and this development is very much driven by exporters on the one hand, and retailers at the other.

I believe that direct distribution will grow in the future, but the fishmarket will not disappear entirely as it ensures product variety. Fig. 10.6 is an attempt to illustrate this in a very simplified way:

![Diagram: Past, present and future of seafood distribution](image)

Fig. 10.6: Past, present and future of seafood distribution

However, future mergers at the exporter and retail level will mean that small retailers relying on the fishmarket will disappear. Eventually, the future of the fishmarket will depend on how it succeeds in developing functions that are important to an increasing
number of large retailers. Norwegian suppliers will face continued difficulties in selling their fish at the Japanese market. When Chilean salmon production resurfaces from the current downfall caused by quality issues, Norwegian exporters will find it difficult to compete with Chilean prices.

10.10.2 Methodology

I was not very familiar with qualitative methods when I started this process. I used structured interviews for my M.Sc., but the data analysis was inadequate. I also mixed up qualitative and quantitative techniques. I had some experience using interviews from my consulting background, but this practice was not rooted in a strong methodological theory.

Having been made familiar with a range of literature on qualitative methods, attending courses at MBS, attending seminars and conferences, I now understand how to apply a range of methods for qualitative data collection and analysis. I have developed my own methodology to turn interview transcripts into meaningful data fit for analysis, based on template and thematic analysis. Herein lays one of the main contributions of the study. I never anticipated that I would make a contribution towards methodology. At first, I though my contribution would be in terms of context, i.e. learning more about fish distribution in Japan. Now I see that my contribution is in terms of a method to systematically analyse responses in case study research, and doing so contributing to our understanding of the relationship between network pictures and network change.

In the future I will develop this methodology further. I believe there is still a potential to explore how NVivo can help structure the analysis of the dottograms. Quantitative approaches such as using SPSS may also give additional insight. In chapter 8 I tried out quantifying and applying statistics to the changes on an aggregate level, but it turned out to be a dead end. However, it should be given more consideration. Longitudinal studies of dottograms are another tempting research issue as the current study is cross-sectional. Visiting the sample again in 5 years time will give important insights as to how the changes envisaged by the respondents actually turned out, and what this meant for their strategic action. This also raises a point taken up earlier to do with the normative aspects of the study: It would be interesting to explore the relationship between network pictures and company performance.
Another future research idea is the overlap of network pictures. This study has mainly taken responses from different respondents in different companies. The role of overlap between network pictures within a company is yet to be explored. Interesting research questions are: Are the network pictures within a company related to function? Is there greater network picture overlap within companies that between companies? What is the consequence of a network picture if an individual moves to a new position within a company? This latter issue is attracting attention (Peters et al., 2009). Action research is also a tempting future research area. What happens to a network picture after a planned intervention? For instance, McGrath and O’Toole (2009) recently explored how managers’ network pictures changed after an intervention where the sample was introduced to the network approach to business marketing.

Finally, I have collected network pictures from Supreme Seafood, Rocky Coast and Global Salmon before and after the merger. This was done as part of the initial study described in chapter 4 to help me understand the distribution flow. Network pictures were not a systematically collected as was the case for the follow-up study, and it is these latter network pictures which forms the basis of the analysis. However, data are readily available to enable a comparison of network pictures pre and post merger. Except from Öberg et al. (2007), this topic has been little researched.

10.10.3 Theory

I became familiar with the industrial network approach working on my M.Sc. thesis. My main focus was its early theoretical contributions, mainly the interaction approach (Håkansson, 1982). Returning to the academic field in terms of this study, my first research proposal was highlighting the impact of cultural differences on buyer-seller relationships. Becoming familiar with recent academic advances within the industrial network approach by attending conferences, taking courses and reading literature, I now have an “up-to-date” view on network theory compared to where I was 4 years ago: I am not looking at single business relationship, but at connected relationships in network; and I am not looking at cultural differences, but how differences are manifested in the actors’ network pictures. Further, I have made contributions to the industrial network theory by exploring the relationship between network pictures and network change, more specifically how actors use network pictures to change their network position.
In the future, I would like to explore the role of network picture overlap further, as suggested in the previous section. I will also look more into resistance to change. This issue came up during the data analysis, but the roles network pictures play in resisting change needs more examination.

Another area which is gaining interest, is the organisational manifestations of network pictures (Öberg et al., 2009). This thesis has been an attempt to analyse the interface between cognition and action, but we have seen that distinguishing between the “real” network and the respondents’ perceptions of the network represents an epistemological issue. I am convinced that this interface is important to explore further. Looking at how network pictures are imprinted in organisational artefacts such as company reports, organisational charts, operation manuals, etc. it may still be possible to say something about how actors perceive the world, and the consequences this has for their actions.
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Appendices

Appendix A: Interview guide developed by the NewMark Project

Appendix B: Research report on the NewMark Project, prepared for the Norwegian Research Foundation in 2007 by Prof. Håkan Håkansson, Norwegian School of Management, NewMark Project leader

Appendix C: Respondent’s network picture, Norway Salmon

Appendix D: Interview transcript, Norway Salmon

Appendix E: Template, Norway Salmon

Appendix F: Mapping changes on Model 4 using the template, Norway Salmon
Appendix A:

Interview guide prepared by the NewMark Project
NewMark FS Data Collection 2005 Interview Guide

PARTS:

1. BUSINESS UNIT
2. CUSTOMER SECTION
3. SUPPLIER SECTION

1. BUSINESS UNIT SECTION

1. General:
   a) Name........................................
   b) Address...................................
   c) Background- established -year...........
      Established as................................
      Part of .....................................
   d) Ownership – independent domestic company
      Division within national company/group
      Production unit within national group/company
      Division within international group
      Other specify..............................

2. Personnel a) total number..............................
                 b) number of blue collar workers...........
                 c) number of engineers ....................

3. Finance a) turnover for unit....... Group.........
                 b) total assets (for unit) ..............
                 c) investments during last five years (per year)........
                 d) profit (during last two years) ..............
                 e) Growth (during last two years) .............
                 f) own capital..................................
                 g) Five largest shareholders account for (of total shares).......%

4. Production a) type of production (short description).........
                 b) type of production planning – share of customer order planning
                    ..................
                 c) Main products and their share of turnover 1...........
                        2...........
                        3...........

                 d) Investments (in many years) in development
                    1. in new products..................
                    2. in developing processes...........
                 e) technology heaviness
                    1. Sales price per kilo..................
                    2. Soft ware share of sales prices........%

5. Industry a) specific regulations influencing the company

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b) history/special features of the "network" the company is working within

c) importance of parallel units (competitors, sister companies etc)

d) specific partners (of parallel units)
## 2. CUSTOMER SECTION

**Data Collection Interview Guide**

**Customer side.**

Customer areas only are marked grey.

Common areas are unmarked.

<table>
<thead>
<tr>
<th>Area of inquiry</th>
<th>Company 1</th>
<th>Company 2</th>
<th>Company 3</th>
<th>Company 4</th>
<th>Company 5</th>
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<tr>
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<td><strong>Product/Resource</strong></td>
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<td><strong>Technological Develop</strong></td>
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<td>2. Customer's adaptation to your technology</td>
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<td>4. Adaptation to end users using technology</td>
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<tr>
<td><strong>Relationship</strong></td>
<td>1. This customers' main problems/concerns/complaints with you as a supplier</td>
<td>1. This customers' main problems/concerns/complaints with you as a supplier</td>
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<td><strong>Industry</strong></td>
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</table>
**Example questions: customer section**

Grey shaded areas pertain to the customer side only. Areas common to both customer side and supplier side are unmarked.

*We must explain to the informant that we by "end-user" and "consumer" refer to private people consuming the final/end product. And that we by 'end-product' mean the product as it is sold to the consumer.*

**Section 1: General Information**

1:2.
- How many of the current top 5 customers were among your top 5 customers:
  - 1 year ago?
  - 3 years ago?
  - 5 years ago?
- Why has this changed / remained stable?

**Section 2: Product:**

2:1.
- Could you please describe the products/resources you supply to this customer?
- How are they using this (these) product(s)?
- Are any of your products adapted to the equipment or production facilities used by this customer?
- How?
- On whose initiative?

2:2.
- What are the products that your customer supplies to their customers?
- Who are "the typical/average" user of the final product? [E.g., active, health freak, educated, lazy, gourmet, age, sex, family situation, social class...]
- Which skills and activities are needed from the consumer to use the final product?
- How do the consumer use the final product?

(2:3. Supplier side questions. Omitted here.)

2:4.
- Why do you sell your products to this customer?
- Is the customer a "good" customer?
- Do you learn anything from selling to this customer?

2:5.
- What is the importance of your products to the customer?
- Are your products critical in the customers' production process?
Section 3: Contact:

3:1.
- Concerning this customer, with whom (individuals, departments etc) do you have contact?
- How often?

3:2.
- How important is the purchasing agent that you deal with at the customer?
- Would you follow this person if he/she left for a competing supplier?
- What type of contract(s) do you have with this customer?
  - Partnership/Strategic agreement/Long-term contract/Short-term contract/Spot?
  - Time period?
  - What elements would be fixed in the contract period? (Volume, price, etc...)
- Who decides/has the most impact on the type of contract? (You/Customer/Other?)

3:3.
- Do you have any contacts with end-users (consumers)?
- How? For example, participating in performing market research?
- Direct or indirect contact? Co-operating with anyone in doing this?
- How often?

Section 4: Technological Development:

4:1.
- Have you made special adaptations to your products to accommodate requirements from this customer?
- How? In what way? Which adaptations?
- On whose initiative? [Any actor in the industrial network can be mentioned here, including consumers.]
- Are any earlier adaptations to your products restricting new solutions to technological problems of this customer?
- How? In what way? Which adaptations?
- Have you made special adaptations in your production facilities to suit any of the customer’s facilities?
- How are these adaptations made?
- On whose initiative?
- Are there certain parts of your facilities that are adapted or all of it?
- Are any earlier adaptations in your facilities restricting new solutions to technological problems of this customer?
- How? In what way? Which adaptations?

4:2.
- Have this customer made special adaptations to its products to accommodate requirements from you?
- How? In what way? Which adaptations?
- On whose initiative?
- Are any earlier adaptations in this customer’s products restricting new solutions to its technological problems?
• How? In what way? Which adaptations?
• Have this customer made special adaptations in its production facilities to suit any of your facilities?
• How are these adaptations made?
• On whose initiative?
• Are any earlier adaptations in this customer’s facilities restricting new solutions to its technological problems?
• How? In what way? Which adaptations?

4:3.
• Have you had any joint development projects with this customer? – Describe!
• Are you carrying out any product development with this customer? – Describe!
• Have there been any special problems that you have solved together earlier (or currently)? – Describe!

4:4.
• Have you made special adaptations in your production facilities to suit end-user’s demands?
• If yes, would it be towards existing consumers, or to enter a new segment of the consumer market?
• How are these adaptations made?
• On whose initiative? Why?
• What equipment do the consumer need to use the final product? [Stove, micro, fridge, food-processor, freezer, special pots and pans, …etc.]

Section 3: Relationship
5.1.
• What are the main concerns that this customer expresses?
• What are the main problems that this customer has?
• What is the current "headache"?
• What are this customer’s usual complaints?
• What do you think this customer finds most demanding about you as a supplier?
• Why?

5.2.
• How many complaints on products delivered have you got from this customer? Per month, year, ever?
• What was the reason for the last complaint?
• What was the outcome/how was the problem resolved?
• Were you happy about the way it was resolved?
• Was it costly?

5.3.
• What are your problems in relation to this customer?
• What is costly?
• What draws heavily upon your resources? (For example, staff, financial, knowledge, competence etc.)

5:4.
• What kind of information exchange do you have with this customer?
• How often is information exchanged?
• Between whom? Departments, individuals, business units, etc...
• To what extent do you share information with this customer about:
  o Market conditions?
  o Changes in industry?
• To what extent does your customer function as an important source of information? If so: What type of information? Has this changed over the last 3 years?
Are any of your customers important in terms of influencing other actors? If so: In what ways?
• Do you feel that you have the information you need?
• Do you use any IT-support for exchange of information?

Section 6: Industry
6:1.
• What role does industry trade associations play for you in relation to this customer?
• Have you ever used the services of such agencies in relation to this customer?

6:2.
• What role do industry trade associations play for you in relation to end-users (consumers)?
• Have you ever used the services of such agencies in relation to end-users (consumers)?

6:3.
• What industry regulations affect you in relation to this customer?
• What national government regulations affect you in relation to this customer?
• Is there any non-governmental organization (NGO)-regulations that affect you in relation to this customer?
• Which? How?
• How do you handle it?

6:4.
• What industry regulations affect you in relation to end-users (consumers)?
• What national government regulations affect you in relation to end-users (consumers)?
• Is there any non-governmental organization (NGO)-regulations that affect you in relation to end-users (consumers)?
• Which? How?
• How do you handle it?

7
Version 2005-03-03
# 3. SUPPLIER SECTION

**Data Collection Interview Guide**  
Supplier side.  
Common areas are unmarked.

<table>
<thead>
<tr>
<th>Area of Inquiry</th>
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<th>Company 2</th>
<th>Company 3</th>
<th>Company 4</th>
<th>Company 5</th>
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<td>1. General info</td>
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<td>3. Supplier since (year/no of years)</td>
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<td>2. Product Resource</td>
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<td>4. Why buy from this supplier?</td>
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<td>3. Contact</td>
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<td>4. Technological Development</td>
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<td>5. Relationship</td>
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<td>7. Regulatory impact on sourcing strategy</td>
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</table>
Example questions supplier section
Grey shaded areas pertain to the supplier side only. Areas common to both customer side and supplier side are unmarked.

Section 1: General Information
1:2.
- How many of the current top 5 suppliers were among your top 5 suppliers:
  - 1 year ago?
  - 3 years ago?
  - 5 years ago?
- Why has this changed / remained stable?

Section 2: Product:
2:1.
- Could you please describe the product/resources this supplier delivers to you?
- How are you using this (these) product(a)?
- Are any of these products adapted to the equipment or production facilities you use?
- How?
- On whose initiative?

(2.2. Customer side questions. Omitted here.)

2:3.
- What kind of products/resources is your supplier buying from its suppliers?
- In what way does the nature and character of the products supplied to your supplier affect you in your production?

2:4.
- Why do you buy products from this supplier?
- Is the supplier a "good" supplier?
- Do you learn anything from buying from this supplier?

2:5.
- What is the importance of your products to the customer?
- Are the products you buy from this supplier critical in your production process?
- How much of the total output of these resources from this supplier do you purchase?

Section 3: Contact and contract
3:1.
- Concerning this supplier, with whom (individuals, departments etc) do you have contact?
- How often?

3:2.
- How important is the salesperson you deal with at the supplier?
- Would you follow this person if he/she left for a competing supplier?
• What type of contract(s) do you have with this supplier?
  o Partnership/Strategic agreement/Long-term contract/Short-term contract/spot?
  o Time period?
  o What elements would be fixed in the contract period? (Volume, price...)
• Who decides/has the most impact on the type of contract?
  (You/Supplier/Other?)

Section 4: Technological Development
4.1.
• Have you made special adaptations to your products to accommodate requirements from this supplier?
• How? In what way? Which adaptations?
• On whose initiative? [Any actor in the industrial network can be mentioned here, including consumers,]
• Are any earlier adaptations to your products restricting new solutions to technological problems of this supplier?
• How? In what way? Which adaptations?
• Have you made special adaptations in your production facilities to suit any of the supplier’s facilities?
• How are these adaptations made?
• On whose initiative?
• Are there certain parts of your facilities that are adapted or all of it?
• Are any earlier adaptations in your facilities restricting new solutions to technological problems of this supplier?
• How? In what way? Which adaptations?

4.2.
• Have this supplier made special adaptations to its products to accommodate requirements from you?
• How? In what way? Which adaptations?
• On whose initiative?
• Are any earlier adaptations in the supplier’s products restricting new solutions to its technological problems?
• How? In what way? Which adaptations?
• Have this supplier made special adaptations in its production facilities to suit any of your facilities? (Production / Logistics etc.?)
• How are these adaptations made?
• On whose initiative?
• Are any earlier adaptations in this supplier’s facilities restricting new solutions to its technological problems?
• How? In what way? Which adaptations?

4.3.
• Have you had any joint development projects with this customer? – Describe!
• Are you carrying out any product development with this customer? – Describe!
• Have there been any special problems that you have solved together earlier (or currently) – Describe!


Section 3: Relationship

5:1.
• What are the main concerns that this supplier expresses?
• What are the main problems that this supplier has?
• What is its current “headache”?
• What are this supplier’s usual complaints?
• What do you think this supplier finds most demanding about you as a customer?
• Why?

5:2.
• How often have you had reason to complain to this supplier? Per month, year, ever?
• What was the reason for your last complaint to this supplier?
• What was the outcome/how was the problem resolved?
• Were you happy about the way it was resolved?
• Was it costly?

5:3.
• What are your problems in relation to this customer?
• What is costly?
• What draws heavily upon your resources? (For example staff, financial, knowledge, competence etc.)

5:4.
• What kind of information exchange do you have with this supplier?
• How often is information exchanged?
• Between whom? Departments, individuals, business units, etc…)
• To what extent do you share information with this supplier about:
  • Market conditions?
  • Changes in industry?
• To what extent does your suppliers function as an important source of information? If so: What type of information? Has this changed over the last 3 years?
• Are any of your suppliers important in terms of influencing other actors? If so: In what ways?
• Do you feel that you have the information you need?
• Do you use any IT-support for exchange of information?

Section 6: Industry

6:1.
• What role does industry trade associations play for you in relation to this supplier?
• Have you ever used the services of such agencies in relation to this customer?
(6:2. Customer side questions. Omitted here.)

6:3.
- What industry regulations affect you in relation to this supplier?
- What national government regulations affect you in relation to this supplier?
- Is there any non-governmental organization (NGO)-regulations that affect you in relation to this supplier?
- Which? How?
- How do you handle it?
- Had industry regulations an impact on your choice of this supplier of its resources/products?
- If so, why and in what way?


6:5.
- Does industry regulations have an impact on the number of suppliers of the products/resources this supplier supplies you with?

- Does industry regulations have an impact on how you relate to this supplier?
- Does industry regulations have an impact on the possibilities of developing the relationship with this suppliers?

6:7.
- Does the impact of regulations differ between supplier countries of origin, type of product etc.?
- How many other suppliers do you have of the most important resource you buy from this supplier? (None, one, some, many)
- How many of your competitors buy from the same suppliers as you?
Appendix B:

Research report on the NewMark Project, prepared for the Norwegian Research Foundation in 2007 by Prof. Håkan Håkansson, Norwegian School of Management, project leader
Background
The starting point for this project was an identified need to develop new analytical models for understanding markets. There are reasons why the established marketing models need to be developed or even replaced, and these have become more obvious during the project. Many empirical situations show signs of emerging structures where business relationships and networks are the dominating phenomena. These circumstances are difficult or even impossible to explain when using the classical market paradigm. The latter is based on the existence of alternatives and rivalry between homogeneous resources. In the emerging empirical world, we can see instead that specialized companies find new and better ways of utilizing existing resources through a large number of cooperative efforts. Competition is still an ingredient but it is [often] neither the main driving force, nor the main activity of those involved.

Main common activities
In order to achieve the overarching goal, we determined that activities should fall equally between theory and empiry. On the theoretical development side, we mobilized the efforts of international senior researchers. To optimize these resources we arranged three international conferences, as well as managing and taking part in less formal but no less important special seminars and workshops. These events took place throughout the duration of the research project. They provided us with forums in which renowned, external audiences could systematically confront our ideas and thus improve the theory building part of the process.

Empirically, our research context was the Norwegian fish industry, where we carried out a series of specialized and individualized data collections in a number of different countries, all of which were connected to Norway. This work was most closely associated with the post-doctoral and doctoral participants, although senior members of the team oversaw and also took part in this key aspect of the project.

The research group
The research group consisted of five PhD students, four post-doctoral researchers and two senior researchers (plus five associated senior researchers). Variety was an important criterion when it came to assembling the group, and thus the immediate team included a mix of Norwegian, Swedish and British researchers with different backgrounds. Close working relationships between all members of the team and associates meant that common themes were seamlessly interwoven across each tier. This ensured that we worked collectively towards the common goal. Research activities were organized according to the different levels of expertise within the group. For example, the project financed meetings between senior researchers, post-doc studies on specific themes within the fishing industry, and five long-term PhD studies. The following sections cover these areas in greater detail.
Activities on the senior level

As indicated, the priority at this level was to develop the theoretical dimension through both our own activities and the mobilization of other senior researchers. We optimized our access to internationally recognized researchers by combining formal (conferences) and informal (seminars/workshops plus cooperation with other research projects) methods.

Formal - conferences

The first conference was conducted early in the program. It concentrated on the broad theme of understanding markets. Proceedings were published under the title “Rethinking marketing – developing a new understanding of markets” (Håkansson, Harrison & Waluszewski (eds) 2004). Chapters were set out under the three main sections of ‘market forms’, ‘interaction between market actors’ and ‘scientific approaches’. American and European researchers presented their views on how the basic issue should be formulated and approached. The essence of the book was also encapsulated in an article that was published in an American journal (Håkansson & Waluszewski 2004).

The second conference was organized in conjunction with the launch of a new journal (The IMP Journal – see www.impgroup.org), which shared the same ambitions as our project. The aim of the conference was to establish connections and dialogue between senior researchers. This was achieved by selecting challenging themes that were related to our overall research goal. The conference took place in Oslo, with a total of 20 contributions and 30 participants, who hailed from different parts of Europe and Australia. Six of the papers were published in The IMP Journal (2006). Others are still in the review process.

The third conference took up a somewhat narrower theme by focusing specifically on the concept of ‘using’. In other words, we substituted the more widely accepted concept of ‘consumption’ with ‘using’. Through this simple exchange of words, a whole new world begins to emerge (see explanation in box). A book based on the conference proceedings has been compiled, with the manuscript having been accepted by a leading American publisher. It is currently under review.

Using vs consumption

The main difference between the two is that ‘using’ suggests there are some consequences or effects involved when products or services are consumed. Use of anything can have short and long term effects, as well as different direct and indirect effects. These effects can come about through the use of other resources, as well as how activities are performed and actors relate to each other. In this way, ‘using’ can be seen to activate the influencing forces of a specific object. One important consequence is that the using is not neutral and given, it is full of intentions, choices and different consequences. The use of any object gives more or less effects depending on how the using is designed or performed. ‘Using’, therefore, creates different effects in technical, social and economical dimensions. As a result, if possible outcomes are to be estimated, ‘using’ is an activity that must be investigated and understood both in its own right and in relation to the object that is being used.

Informal – seminars, workshops, other forms of cooperation

Conferences were clearly a key way of mobilizing and relating connected research/researchers. However, to strengthen our efforts further, we cooperated closely with a number of other specific research projects, such as Netlog at BI Norwegian School of Management, VTI in Uppsala/Stockholm, and the Network Group in Trondheim.

We also participated in special seminars (for example: Waterford, Ireland April 2004; Lisbon, Portugal June 2004; Harvard, USA August 2004; Chemnitz, Germany September
A close working relationship has been established with four international researchers (Sweden, UK, Switzerland) who will be involved in the creation of the “Network Book”. The book will apply the theoretical foundations of the ‘network approach’ to market studies and present this in a new and wholly integrated way. The aim is to start out from experiences gained from earlier international IMP studies, before building up the main theoretical arguments which have arisen from the NewMark project, together with the findings from two other projects, which have looked at biotech and fashion.

Activities on the post-doc and PhD levels
We also conducted a large empirical study. Using a specially formulated, common questionnaire, we collected data from five major fish markets (Norway, UK, Portugal, Chile and Japan). This perspective seemed natural given the importance of exported fish from Norway and the way Norwegian aquaculture know-how has been so successfully deployed in other major export nations. Instead of looking out at the world from Norway, we looked at Norway from various global ‘vantage’ points.

Our intention was to identify specific fish networks in these countries and then to study how they helped to create a global network. By undertaking this work, we gained a general understanding of the total fish network and it formed an integral part of the PhD and post-doctoral studies. This was the first time such a large dedicated and structured empirical study had been undertaken and it has certainly taken us some way towards creating a picture of a global network.

Post-doc
Post doctorial activities focused particularly on empirical activities. In particular, a number of studies have resulted in cases that start out from an individual company. Researchers who undertook such work include Holmen and Pedersen (NTNU), (NHH) and Harrison, Huemer, Prenkert and Raabe (BI Norwegian School of Management).

This level was also the most administrative in many ways, ensuring that research tools were rigorously developed and that activities were executed as planned. Regular update meetings with the whole team were held to facilitate this role.

PhD
A significant proportion of the project’s resources were used at the PhD-level. In defining suitable PhD themes, we included both theoretical and empirical problems. Empirically, we covered a variety of important species of fish (salmon, bacalhau, and pelagic) and we concentrated on specific countries (in addition to Norway, there was Portugal, Japan, Chile and UK).

On the theoretical side, themes included: how an organization’s identity depends on how it defines the market/network; how a certain structure in one part of the network affects

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1 In relation to seafood exports from Norway
another part; how marketing to consumers is related to how the supply is organized and so on. Dissertations are well underway by the following PhD candidates: Følgesvold, Hoholm, Haugnes, Cantillon and Abrahamsen (summaries and final timetables of these studies are included in the appendix).

Important results
The project has produced two types of results. The first is a new step forward in theoretical development: how an interactive approach to markets can be formulated in a set of much more exact propositions. A more specific aspect would be how state regulations (such as an obligitory auction system in fish trading) and state organizations (such as Norwegian Seafood Export Council) are both influenced by and become part of a market network. These themes will be explored in the aforementioned new book, which is already underway. Although the book marks the conclusion of the NewMark project, by pulling together and effectively summarizing the extensive work carried out by the research team, it provides us with a base for future studies, which will use the network approach in a more structured way.

The other type of result is empirical. It concerns the empirical picture of the Norwegian fish industry. The network picture, which has emerged from the data collections in Norway, UK, Portugal, Chile and Japan, provides single companies with an understanding of how strategies can be developed in an increasingly complex business world. Policy makers may also benefit from seeing this picture when it comes to dealing with existing and implementing new policies.

One example of this change could be the discussions one of our main case companies has had about its R&D strategy. Instead of ‘research’ and ‘develop’, their key words are ‘connect’ and ‘develop’. Without doubt, this is a subtle but clear sign of things to come.

Future plans related to the project
Although the project has been concluded financially, we will continue to produce new publications based on our work over the past four years. Several articles, for example, are planned in relation to both the total empirical material and to single dissertations. Plus we intend to bring together the overall experiences from the project in a new international book.

NewMark has also acted as a catalyst for several new projects. One will be directed towards innovations in the food sector, where the aim is to get EU-support. In another, the intention is to continue the fish research by combining it with the experience and research instruments that have been developed by Matforsk. Finally, a third project starts out from one of the fish related companies, with the aim of studying the development of new innovations.
Appendix C:

Respondent’s network picture, Norway Salmon
Appendix D:

Interview transcript, Norway Salmon
Interview transcript: Norway Salmon

Interview date: 31.05.07

- We have previously talked about changes. Can you say something about the main changes that you see? And why are they happening?

We haven’t seen the main changes yet. Compared to the other main seafood markets things are slow in Japan. But the underlying change which we see is accelerating is a more direct contact between suppliers and end user, i.e. Primary actors in the production and end users in the consumption. The reason behind this is that, well, there are many reasons for this, One reason is that this is a global trend and on the retail level in Japan they wish to adopt purchase strategies and management practices that has been made in international retail chains such as Carrefour and Wal-Mart. They are inspired by this and they see that if they are to survive they have to get closer to the origin of the products that they source. This is to a great part driven by the retail level.

I get the impression that this process is slow and that the majority of the fish is still sold through the traditional fish markets. The fish markets are conservative and are resisting this trend.

What I think is easy to overlook when we talk about Japan is the real importance that the fish market has and which will be there in the future. It will be wrong to suggest that the fishmarket will loose its importance in Japan. It is an effective way of distributing large volumes of fresh fish. In a fragmented market like the Japanese, it is very effective. You may regard it as a gigantic cash and carry wholesale outlet. Where the small retailer, supermarkets and shops and restaurants come to one place and get what they need at the time that they need it. Whit guaranteed freshness. So obviously, this role is important as long as the retail level is as fragmented as it is. Despite that all predictions say that we will see a less fragmented retail level in Japan, this development is going extremely slow. As long as we the fragmented retail level, the fishmarket fulfil an important role.

- How did this look like 5 years ago?

(draws picture)

We are talking fresh salmon here. Here is the Norwegian producer and here is the Japanese importer. I draw the main route now. And then you have what we call primary wholesaler. And then you have secondary wholesaler. And finally retailers distribution centre or retailer. And horeca (hotels, restaurants and catering). And then there are the vendors. (points at the space between distributors and primary wholesaler, and between primary wholesalers and secondary wholesalers).

- Who is the vendor?

Vendor is someone who “eats off the cake”. He wants a piece of the bargain. Traditionally he has had a function between the importer and the wholesaler as a relationship builder and facilitator for sales. He normally does not own the goods. The square boxes own the goods. The primary wholesaler and the secondary wholesaler is at the fish market. The exporter
owns the goods and passes the ownership to the Japanese importer. He passes the goods over to the primary wholesaler. Which again passes it over to a secondary wholesaler, who sells it to a retailer. This is the ownership- The traditional first level of sales are here, between the primary and the secondary wholesalers. This takes place at the fishmarket. And then there is a second level of sales happening between the secondary wholesaler and the retailer. But the secondary wholesaler may sell to yet another distributor which sells to retailer or horeca, or you can have a producer in the picture here. He buys the goods or has outsourced production, or buys the goods and then sell to retailer or horeca. This is very much the traditional way of selling.

What is happening now, is that you have a Norwegian exporter (draws the picture) which sells to a Japanese importer or to an own importer owned by them, as some do. This importer has direct with retail chains or restaurant chains. This model has grown in magnitude the last 5 years. It has been more common to do this type of distribution than 5 years ago.

- Can you say something about the differences in the relationship in these two models? What happens to the fish? What do you do together? What about information, training, exchange of staff, financial bonds, etc. We can start with the fish, ie. the resources that you exchange. What is different regarding the resources that you exploit in this system compared to this system?

The trend we see is that the direct system is more appropriate for fresh fillets. The traditional system is to a large degree based on whole fish with head. This is also the case for the direct system. But the growth in Japan is greater regarding fresh fillets than whole fish with head. This product is mainly found in the traditional system. Fresh fillets very rarely finds it way to the traditional system because the market is not suitable for this kind of distribution. One of the problems is perishability, challenges regarding freshness, which means that you need to have a shorter distribution. You have less flexibility. The filleted fish is only suitable for some purposes, whereas whole fish has much more options, greater variation. And this flexibility you find in the fish market. You don’t need this kind of flexibility in direct distribution. This is the two opposites regarding products. And the products will determine which way you distribute your products.

- Is it the distribution model which determines the kind of product you are supplying, or is it the product that determines the distribution model?

Both, really. But direct distribution would have come independently of what product we were to offer. If you could not produce fillets, you still would have seen a rise of the direct system based on whole fish.

- Why is fillets becoming more important? My impression is that the Japanese like to process the fish themselves.

This is all a question about money. We pay in average 12 NOK per kilo in airfreight to Japan (draws calculation). If you have a gutted salmon of 4,5 kilo times 12, this represents 54 NOK in airfreight. Out of 4,5 kilo whole salmon you get 3 kg. fillets. Times 12 this is 36 NOK in airfreight. These two volumes (4,5 and 3) represents the same amount of end product. If you are making sashimi out of this (4,5) you get the same amount of sashimi as
this (3kg). But you have saved 12 NOK in freight. Literally, you don’t ship the bones and the head, and this saves you money.

- But isn’t it so that the Japanese chefs likes to cut the fish themselves?

Yes, but you don’t see a Japanese sushi-chef filleting the fish himself or in the shops. If you go to the most expensive restaurants the sushi chefs do a lot themselves, but if you go to the kaiten sushi, which represents the majority of restaurants, and which is the largest segment for salmon, they buy ready made sliced products. And this is sliced in Japan, or South-East Asia regarding frozen products. And for the ones doing this slicing operation, which normally is a producer involved here (draws in the diagram) normally with leieproduksjon, or as a direct part, it is more profitable for him to buy the fillets as compared to whole fish. Some of the producers import themselves, and some of the importers process themselves. Or hire production. This is perhaps the most common. It is the same for the supermarkets, some of them have their own process centres, where they produce either based on whole fish or fillets, whereas others want to buy ready made products. So these producers in Japan are important, but they have relatively little power. And it is a unit with limited profitability. And spare capacity. So the normal practice for importers is to shop around based on price. The same goes for the supermarket chains.

- Does this imply that there are weaker bonds between the actors in the direct system than in the traditional system?

In many ways this is the case. But the purchase function in the direct system is more professional than in the traditional system. And the retail power is greater in the direct system. But the turnover in the traditional system is based on auctions. So even if the bonds are stronger in the traditional system, the price mechanism in this system is efficient. There is perfect competition in this type of auction market. In a way you may regard the traditional system as a spot market. It is much more difficult to develop extensive price agreements in this system. So this is a spot based market and it is an effective way to determine price. And the purchase function in this system is based on that the spot market is effective, and that they can trust that they get the right price from the secondary wholesaler.

- How are the bonds in the direct system?

This varies. We have some importers where we have developed close ties. We participate in meetings with supermarket chains, we plan product quality, we plan delivery terms. Actually, we plan everything except price which normally is a negotiation between importer and the retailer. We have a dialog on price with our importer, and when we agree on this we go together to the retail chains and plan further activities. This can be product demonstrations, sales promotion and other marketing activities, product improvements, product development, packaging and logistics. In many of these retail chains, we have a close dialog together with our customers (the importer).

- Do you share resources in any way?

We share knowledge with our customers. We have recently hired a product development manager and a brand manager. These are resources that we draw upon in cooperation with the importers and retailers.
Has these positions been created because of this development in distribution?

We have not created them specifically for Japan, but for our company. This is a result of that our now company is in a much better position to negotiate with the retailers than previously, and these skills are important to us. But we have a broad scope when we create these positions, and we use them to get in closer cooperation with our customers. We have three companies in Japan that we define as strategic partners. With these three partners we draw on this type of resources. So here we position ourselves much closer than we do in the spot based market.

The main difference in resource ties is that we develop concepts together in the direct system. These concepts can be regarding packaging, logistics, special product quality, feed mix at the fish farm, category management together with the supermarkets, and menu development with the restaurants. A broad range, actually. Today we are in the same advantageous position through our three strategic partners as if we had set up our own import company. And this must be seen in relation to how we work with these three actors. These three actors are interested in that we involve ourselves as much as possible at the retail level.

What we to a lesser extent manage to do together, and which would be easier if we had our own import company, is exchange of pricing information. With the current structure it is not common for us to get all information about price setting and price options that our importers settle with the retailers. This may be a disadvantage for us. But we have decided that we first want to develop a strategic cooperation with our importers, and develop the areas that we are able to with the retailers. We have to see what the future brings in terms of a closer strategic cooperation with these partners to get access to this kind of information. This is a discussion of which model to choose. We are currently in a process of discussing which model to choose regarding these three actors. One of the main questions we raise is how can we secure that we get the same access to information about the retail level as the other actors in the market regarding price and pricing policies.

There are several ways to achieve this. We discuss several models. But his is restricted information you are getting now. But joint ventures and takeovers are two models we discuss currently. And we have said that we don’t want to establish an import company in Japan that is in competition with our customers. The reason for this is that we cannot see what this can contribute better than what the importers do today in our current relationship. And we do not believe that the price margins at the importer level are so high that this automatically increases our profits. At the same time, the strategic advantage that we get from being represented in the market with regard to access to information, and what this implies for your own activities, is something that we loose. But we believe that the right option for us is working closer with the actors that we have used up to this point and which we have developed into be the best importers of Norwegian salmon in Japan. Here we get the best of both; we maintain our stronghold on imports and obtain the strategic position that we wish to get more involved with the retail level. This is a current process and we work closely with our three importers. But other solutions than joint ventures and takeovers are possible.

How would the distribution system look in 5 years time?
Today we are one of the two largest actors in Japan. I guess we are the second largest. But we have a definite aim of taking the number one position. But now I am very open with you. In 5 years time we have merged with one more of the importers (draws a circle around the exporter and the importer). We have a strategic cooperation which is financial and which is based on shared ownership in Japan. I also envisage that we are involved in the producer function in Japan through the joint venture company. And that we have a much greater part of our turnover in direct relation with the main retail chains both in the supermarket and the restaurant segments. But I believe that we will be heavily involved in the traditional market. We have no plans downscaling our turnover at the fishmarket, but we will increase our turnover in the direct market. This is where the growth will be. We aim to double our turnover in the direct system. But I think that we will grow even in the traditional system.

- What do you see that makes you say that?

I think we will see an increased demand for farmed salmon in Japan in the future. I believe that the Japanese actors at the retail level have to position themselves towards industrial actors. If want to go into category management and if you want to develop a category in a supermarket, you need to get support from an industrial actor present on the supplier side. You cannot work on the fish market and at the same time develop efficient category management. Here the supplier side is too fragmented and you cannot develop the relationship you need with a supplier to develop the category further. And Japan has a great need for category management in the seafood business.

- Why is this so?

If you went to Japanese supermarket 10 years ago and seen the fresh seafood department, and if you went today, there has been no change. There has been a steady decline in fresh seafood sales in Japanese supermarkets for a long time. At the same time other food departments have increased their turnover, such as delicatessen. And why has this happened? Because the deli department have thought category, and “how can we develop the category to cater for changing Japanese consumer buying behaviour in terms of a shortage of time spent preparing food, less knowledge about cooking, fewer traditional Japanese family patterns and smaller families?”. Actually the same trends as in the west. The difference is that in the west we have started to do something about it. A major reason for why we have the position that we have in the Nordic countries, is that the major retail chains have seen that farmed salmon is a key product in developing the seafood category. And this realisation is slowly coming to the Japanese market. And here we can play a key part. But to achieve this you have to be present at the major retail chains, and you must have facilities and market impact that enables you to do category development with the retailers.

- Category management has been a trend seen in the west for some time, and has been much debated. Is this the picture that you now see coming to Japan?

We want to contribute to this development in Japan. I refer to what I call the “good circle”. You have seen this for some time in Europe. This is a strong focus on health, combined with a positive image of seafood (seen as fashionable, urban and youthful), combined with salmon as an industrial product. European supermarket chains have seen the health focus and positive image with the consumers, and they have approached the salmon industry and
found partners which have been able to develop the category in terms of stable supply, and products fulfilling these consumer demands. If you compare European supermarkets today with ten years ago, there has been an extreme development. 10 years ago you would find fish dishes with whole fish in French supermarkets. Today you see portions, loins, fillets, marinated products, processed products and smoked products. And all this has occurred because you have had a growing demand for seafood in Europe based on health and image, and at the same time you have a product which is easily accessible and a product which is suited for building a category towards specific needs of the consumers. In Japan, health focus is very much present. Seafood image is not as developed as in Europe, but there is a sound basis for it. Salmon as industrial product is very much present in Japan. The potential for starting the same circle is very much present in Japan. For instance, the Japanese Department of Fisheries recently published a white paper on concerns over reduced seafood consumption. Japan is one of the few countries in the world which actually reduce seafood consumption. I think one of the main reasons for this is lack of innovation, rigid structures, lack of new ways of developing categories at the retail level.

- Do you find someone which share this view if reality? In a way you have to have someone which agrees to this perception to achieve this?

Yes, and I find them. I find them here (points at importer level) and here (points at the retail level).

- Has this been the main selection criteria?

Yes, definitely, definitely! But at the same time, one of our main partners is here now (points at the import level in the traditional system). But they wish to develop towards this (points at the import level in the direct system). And I believe that there is a lot which can be developed within the traditional system yet. These people are suffering (points at the secondary wholesalers). You can help them. There have been a number of bankruptcies among the secondary wholesalers in Japan. They have their turnover reduced, the catches are smaller, and there is less fish available, fewer quantities are being sold through the fish market, etc. So they suffer immensely. You can help them with a product which is in stable supply. They can also work in this way (category management) towards their customers.

- To get them in on this, do you have to give this picture to them? And see to that they share it?

Yes, you have to do that. And this is where we are at the moment. We have spent a lot of time recently discussing and establish a common view of reality with our partners. A lot of time. And this is what we want: To build a firm foundation which includes a common understanding of market challenges, to increase the current business, and develop new areas together. And this is where we are with our three partners at the moment.

- And these partners you find here (points at the importers in the direct system) not among the traditional Japanese importers?

What is a traditional Japanese importer? One of our major partners sells a majority to the primary wholesalers. But when we draw this picture for him, he wants to develop in this way.
- Why can’t you go directly to the primary wholesalers and draw this picture for them?

We want to remain in the fish market. We cannot omit the fish market completely. It will not work. We want to work with them. We supply large volumes here at present. And we will try to develop concepts which are suitable for this kind of distribution. But it is more difficult to talk about category management with an actor who sells to a secondary wholesaler. He has at least 50 secondary wholesalers. You cannot work like this. Working with 50 wholesalers who each has 3 – 4 retailers that he works with. This gets to complicated. So, it this system we have to work with them on other areas. Like the sushi restaurant market.

The sushi restaurant market accounts for around 1 mill tons of fish a year (he writes). 500.000 tons are tuna. Salmon is around 80.000 which equals 0,08 mill tons. Trout is around 40.000 tons. Together this represents 120.000 tons. In the sushi restaurants in Japan, 2/3 is in the traditional segment characterised by high price and quality. 1/3 is kaiten sushi. But for salmon, 80 – 90% is sold at kaiten sushi restaurants, and only 10-20% at traditional sushi restaurants. Ie. you have a totally opposite share. In the kaiten segment we have a stronghold, but in the traditional segment we are insignificant. There are two ways to interpret this: The traditional segment is too difficult for salmon, or that there is a great unexplored possibility for salmon. In the kaiten sushi segment tuna has a very strong position. In the traditional sushi segment tuna is getting too expensive and supply is unstable. Tuna is a species which is under strong international pressure, availability is unstable, and prices are rising much more than salmon. I believe that there is an extreme potential to increase salmon sales in the traditional segment. To achieve this we need to supply salmon of high quality to this segment. And to reach this segment this doesn’t work (points at the direct system). You have to be here (points at the traditional system). These restaurants are small actors. Mom and Pop shops. Individual restaurants. And then you have a seamless transition to the kaiten restaurants. You have a top and a bottom in both segments (points at the 80/20 figure). I believe that in the restaurant segment we get in at the middle and upwards, but stop before the very top. Somewhere in between the middle and the top. And then we are dependent on this (points at the fish market). In this segment you have to think concept, you have to be innovative. You must have a product to offer through the fish market which has a certain quality and features, and delivery terms which the sushi restaurants are willing to accept.

- So, as a rule of thumb, the traditional fish restaurants buy from the fish markets, but the kaiten sushi restaurants buy from the direct system?

Yes. Therefore these guys are important (points to the fish market). But these will not accept our view outright. They are resistant and say that “this is impossible”, “this will not go”, “they will not accept” and so on. But I don’t accept this.

- What do you do, then?

You have to try and try over again. But the primary thing is to convince the importer, and to have them sharing your view in order to get closer to here (points at the primary wholesaler). And we to a large degree achieved this. Particularly one actor agrees completely. We agree on a strategy now, and I am going over there in two weeks, and we are visiting 4 primary wholesalers and describe precisely this picture to them and propose a
joint strategy to get to these (points at the retail level). We want to attack this level (points at the retailer) in cooperation with these (points at the primary wholesaler).

- And they need to understand the picture you are drawing here in order for some change to happen?

Yes, that is right?

- So, you are in fact changing their perception of the world in order to facilitate changes?

Yes, and I think I am much aided by what is becoming quite obvious, which is that the tuna is an endangered species.

- Are there some macro-economic trends are assisting you?

Yes, but you have to be cautious when arguing around the tuna. It is sacred in Japan. If you say that the tuna is becoming extinct, they will say that this is not the case, tuna is too important to us, it will never disappear. But deep down, they know that they need to change. So you have to deliver your message the right way.

- What pictures do they hold which makes it difficult for them to share your view?

We have to forget the top, ie. the most exclusive sushi restaurants. They do not buy farmed fish and they don’t buy imported fish. To change this picture is not fight we are taking. They will get around eventually as tuna is becoming more extinct. But I think we have to work our way up from the position we currently hold. But the more fashionable the restaurants get, the more sceptical they are of farmed and imported fish. That is two main barriers that we have to take on. And there is a general notion regarding salmon based on a belief that salmon contains parasites. Far from everyone knows that farmed salmon is free of parasites. In general, knowledge about Norwegian salmon is Japan is less than we tend to believe.

But we have not been around to the restaurants yet. We have persuaded this actor (points at the importer). Now we are going over to meet with this actor (points at the primary wholesaler). And then it is up to them to find the best route from here to the restaurants together with us (points at the picture).

- It looks like the pictures that these actors have (points at the retailers in traditional system) must be the same as the rest of this distribution chain?

Yes, you’re right. Together with our importer we aim to go in dialog with 3-4 primary wholesalers. And these actors must take work together on this. We have to map out a process which aims to influence these people (points at the retailers). And I think we are aided by general consumer trends. If you ask consumers today what their favourite sushi fish is, there will be a great difference between young and old. Old consumers will have tuna as their favourite, but salmon is more popular among the younger generation. This is because tuna is established in the market, but salmon has only been around for 20 years. And because tuna is present at the traditional restaurants where the consumers are older. In time, as the younger consumers get older and more affluent, they will move their
consumption to the traditional restaurant segment. And they will pull the salmon with them.

- Are the actors the same in the two systems?

Yes and no. The retail level in the direct system is mainly large chains. The retailers in the traditional systems are small chains and smaller shops and restaurants. Local chains with a limited number of stores. But there is a small amount being sold from the fish market to the large chains. Mainly between secondary wholesalers and the large retail chains (draws an arrow across the two systems. But in general the actors are separate.
Appendix E:

Template, Norway Salmon
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<th>Passage from text</th>
<th>No.</th>
<th>What is happening?</th>
<th>Level details BA, BD, BN CA, CD, CN</th>
<th>What is driving the change?</th>
<th>Level details DA, BD, DN EA, ED, EN</th>
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<tr>
<td>We haven’t seen the main changes yet. Compared to the other main seafood markets things are slow in Japan. But the underlying change which we see is accelerating is a more direct contact between suppliers and end user, i.e. Primary actors in the production and end users in the consumption end. The reason behind this is that, well, there are many reasons for this. One reason is that this is a global trend and on the retail level in Japan they wish to adopt purchase strategies and management practices that has been made in international retail chains such as Carrefour and Wal-Mart. They are inspired by this and they see that if they are to survive they have to get closer to the origin of the products that they source. This is to a great part driven by the retail level.</td>
<td>1</td>
<td>2 Here he describes the general change towards direct distribution (1)</td>
<td>BN, General change towards direct distribution</td>
<td>This change is explained by retailers adopting new purchasing practices, and this is SM on actor level (2)</td>
<td>DA: New purchasing strategies</td>
</tr>
<tr>
<td>What I think is easy to overlook when we talk about Japan is the real importance that the fish market has and which will be there in the future. It will be wrong to suggest that the fish market will loose its importance in Japan. It is an effective way of distributing large volumes of fresh fish. In a fragmented market like the Japanese, it is very effective. You may regard it as a gigantic cash and carry wholesale outlet. Where small retailer, supermarkets and shops and restaurants meet and get what they need at the time that they need it. With guaranteed freshness. So obviously, this role is important as long as the retail level is as fragmented as it is. Despite that all predictions say that we will see a less fragmented retail level in Japan, this development is going extremely slow. As long as we the fragmented retail level, the fish market fulfill an important role.</td>
<td>3</td>
<td>3 Here he says something about the pace of change; the fish market is changing slowly because it has some advantages and functions</td>
<td></td>
<td>He explains this change by sensemaking on the network level (4) He points to the slow pace of change occurring because the fish market serves specific functions and the retail level in Japan is still very fragmented. In a way he talks about resistance to change here.</td>
<td>DN: Direct dist. to FM, Pace of change (4)</td>
</tr>
<tr>
<td>What is happening now, is that you have a Norwegian exporter which sells to a Japanese importer or to an importer owned by themselves such as Marine Harvest. This importer has direct with retail chains or restaurant chains. This model has grown in magnitude the last 5 years. It has been more common to do this type of distribution than 5 years ago.</td>
<td>5</td>
<td>5a This is a further example of the change towards direct distribution in Japan.</td>
<td>BN: Change from fishmarket to direct</td>
<td></td>
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The main difference in resource ties is that we develop concepts together in the direct system. These concepts can be regarding packaging, logistics, special product quality, feed mix at the fish farm, category management together with the supermarkets, and menu development with the restaurants. A broad range, actually.

The trend we see is that the direct system is more appropriate for fresh fillets. The traditional system is to a large degree based on whole fish with head. This is also the case for the direct system. But the growth in Japan is greater regarding fresh fillets than whole fish with head. This product is mainly found in the traditional system. Fresh fillets very rarely find their way to the traditional system because the market is not suitable for this kind of distribution. One of the problems is perishability, challenges regarding freshness, which means that you need to have a shorter distribution. You have less flexibility. The filleted fish is only suitable for some purposes, whereas whole fish has much more options, greater variation. And this flexibility you find in the fish market. You don’t need this kind of flexibility in direct distribution. In a way the products will determine which way you distribute your products. But we see a rise of the direct distribution also for whole fish.

<table>
<thead>
<tr>
<th>BD: Improved resource ties (5a)</th>
<th>The growth of direct distribution has had an effect on the relationship with customers</th>
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<td>The growth of direct distribution has had an effect on the relationship with customers</td>
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<tr>
<th>EN: Direct system more suitable for fillets (7)</th>
<th>This is sensemaking on the dyad level. He says that the direct system is more suitable for fillets, and the traditional system is more suitable for whole fish. This is two different resource combinations, ie. resource ties are different in the two systems. He uses this as a sensemaking device explaining that the direct system will gain importance because of the increased demand for fillets (7) and the traditional system will lose its importance because it handles whole fish</th>
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<tr>
<th>R - fresh fillets vs. frozen (6)</th>
<th>Here he predicts a future development of resource ties as fresh fillets will become more important than whole fish, ie. future changes at dyad level (6)</th>
</tr>
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</table>
The rise in the production of fillets is all a question about money. We pay in average 12 NOK per kilo in airfreight to Japan. If you have a gutted salmon of 4.5 kilo times 12, this represents 54 NOK in airfreight. Out of 4.5 kilo whole salmon you get 3 kg. fillets. Times 12 this is 36 NOK in airfreight. These two volumes (4.5 and 3) represents the same amount of end product. If you are making sashimi out of this (4.5) you get the same amount of sashimi as this (3 kg). But you have saved 12 NOK in freight. Literally, you don’t ship the bones and the head, and this saves you money.

Yes, but you don’t see a Japanese sushi-chef filleting the fish himself or in the shops. If you go to the most expensive restaurants the sushi chefs do a lot themselves, but if you go to the kaiten sushi, which represents the majority of restaurants, and which is the largest segment for salmon, they buy ready made sliced products. And this is sliced in Japan, or South-East Asia regarding frozen products. And for the ones doing this slicing operation, normally processors with own or outsourced production, it is more profitable for them to buy the fillets as compared to whole fish. Some of the producers import themselves, and some of the importers process themselves. It is the same for the supermarkets, some of them have their own process centres, where they produce either based on whole fish or fillets, whereas others want to buy ready made products. So these processors in Japan are important, but they have relatively little power. And it is a unit with limited profitability. And spare capacity. So the normal practice for importers is to shop around based on price. The same goes for the supermarket chains.

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<thead>
<tr>
<th>8</th>
<th>Here he talks about a change in resource ties, from whole fish to fillets (8)</th>
<th>BD: from whole to fillets</th>
<th>He argues that fillets are cheaper to transport to Japan, transporting whole fish is unnecessary costs for head and bones. This is sensemaking on the actor level. He uses cost issues to explain the change (6)</th>
<th>DA: Cost issues: Fillets are cheaper to produce (9)</th>
</tr>
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<tr>
<td>10</td>
<td>This is a continuation of his argument above. Here he extends the sensemaking to include the whole network (10), i.e he describes the resource ties between processor, importer, producer and retailer with reference to fillets. His argument is that the whole network saves costs by using fillets instead of</td>
<td>DN: From whole to fillets (10)</td>
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<td>But the purchase function in the direct system is more professional than in the traditional system. And the retail power is greater in the direct system. But the turnover in the traditional system is based on auctions.</td>
<td>11</td>
<td>Here he uses sensemaking on actor level to explain the change towards direct distribution. The purchase function is more professional and retail power is greater in the direct system.</td>
<td>DA: Purchase function, retail power (11)</td>
<td></td>
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<td>So even if the bonds are stronger in the traditional system, the price mechanism in this system is efficient. There is perfect competition in this type of auction market. In a way you may regard the traditional system as a spot market. It is much more difficult to develop extensive price agreements in this system. So this is a spot based market and it is an effective way to determine price. And the purchase function in this system is based on that the spot market is effective, and that they can trust that they get the right price from the secondary wholesaler.</td>
<td>12</td>
<td>Here he discusses sensemaking at dyad level. Pricing issues are handled effectively in the traditional system, which may shed light on his earlier argument that the traditional system has its distinct functions and is slow to change.</td>
<td>DD: Pricing (12)</td>
<td></td>
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<td>We share knowledge with our customers. We have recently hired a product development manager and a brand manager. These are resources that we draw upon together with the importers and retailers in Japan. We have not created them specifically for Japan, but for our company. This is a result of that our new company has the much better position to negotiate with the retailers than previously, and these skills are important to us. But we have a broad scope when we create these positions, and we use them to get in closer cooperation with our customers. We have three companies in Japan that we define as strategic partners. With these three partners we draw on this type of resources. So here we position ourselves much closer than we do in the traditional system.</td>
<td>13 14</td>
<td>Here he describes a change at actor level. He has created new positions in his company (13) BA: new positions created BD: stronger resource ties</td>
<td>BD: Wanted closer ties to retailers (15)</td>
<td></td>
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Today we are in the same advantageous position through our three strategic partners as if we had set up our own import company. And this must be seen in relation to how we work with these three actors. These three actors are interested in that we involve ourselves as much as possible at the retail level.

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<tr>
<th>Time</th>
<th>Summary</th>
<th>Notes</th>
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<tr>
<td>17</td>
<td>b) This belief strengthens his position vs. his current partners</td>
<td>BD: Improved ties (17a)</td>
</tr>
<tr>
<td>18</td>
<td>b) As such this sensemaking at future network level drives a change in the dyad</td>
<td>BD: More commitment (19)</td>
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What we to a lesser extent manage to do together, and which would be easier if we had our own import company, is exchange of pricing information. With the current structure it is not common for us to get all information about price setting and price options that our importers settle with the retailers. This may be a disadvantage for us. But we have decided that we first want to develop a
strategic cooperation with our importers, and develop the areas that we are able to with the retailers. We have to see what the future brings in terms of a closer strategic cooperation with these partners to get access to this kind of information. This is a discussion of which model to choose.

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<th>20</th>
<th>21</th>
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<td>in terms of more commitment to the current importers (actor bonds) (19).</td>
<td>discusses an alternative network which includes a fully owned subsidiary/import company in Japan. This will give him access to pricing information, something which is difficult in the relationship he has today with his importer. But he has rejected the idea, and wants to develop closer ties to his current importers. (18)</td>
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<td>This is more of the same arguments as discussed above.</td>
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We are currently in a process of discussing which model to choose regarding these three actors. One of the main questions we raise is how can we secure that we get the same access to information about the retail level as the other actors in the market regarding price and pricing policies.

But joint ventures and takeovers are two models we discuss currently. And we have said that we don’t want to establish an import company in Japan that is in competition with our customers. The reason for this is that we cannot see what this can contribute better than what the importers do today in our current relationship. And we do not believe that the price margins at the importer level are so high that this automatically increases our profits. At the same time, the strategic advantage that we get from being represented in the market with regard to access to information, and what this implies for your own activities, is something that we loose. But we believe that the right option for us is working closer with the actors that we have used up to this point and which we have developed into be the best importers of Norwegian salmon in Japan. Here we get the best of both; we maintain our stronghold on imports and obtain the strategic position that we wish to get more involved with the retail level. This is a current process and we work closely with our three importers. But other solutions than joint ventures and takeovers are possible.

BD: Current model means more commitment (21)

a) Here he gives similar arguments. He discusses a possible new network where he owns or has greater control over his partners (20). But he rejects this because he does not want to stir up the relationship to

EN: Possible new network (20)
Today we the second largest in Japan. But we have a definite aim of taking the number one position. In 5 years time we have merged with one more of the importers (draws a circle around the exporter and the importer). We have a strategic cooperation which is financial and which is based on shared ownership in Japan.

I also envisage that we are involved in the producer function in Japan through the joint venture company. And that we have a much greater part of our turnover in direct relation with the main retail chains both in the supermarket and the restaurant segments.

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<td>22</td>
<td>b) No 1 ambition explains means future change at network level where he merges with his partners (23) e) As a result of this network change he sees a change at dyad level in terms of financial ties and ownership to his partner (actor bonds) (24)</td>
<td>CN: Mergers with J. partner (23) CD: Closer ties and ownership in Japan (24)</td>
<td>25</td>
</tr>
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<td>23</td>
<td>24</td>
<td>26</td>
<td>Here he also discusses a change at network level where he anticipates direct control over the processors (25) He also anticipates strengthened resource ties to the retailers in terms of higher volumes (26).</td>
</tr>
<tr>
<td></td>
<td>CN: Ties directly with processors (25) CD: higher volumes to retailers (26)</td>
<td></td>
<td>A) His ambition to be no. 1 in Japan is future sensemaking on the actor level. (22)</td>
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But I believe that we will be heavily involved in the traditional market. We have no plans to downscale our turnover at the fishmarket, but we will increase our turnover in the direct market. This is where the growth will be. We aim to double our turnover in the direct system. But I think that we will grow even in the traditional system.

I think we will see an increased demand for farmed salmon in Japan in the future. I believe that the Japanese actors at the retail level have to position themselves towards industrial actors. If you want to go into category management and if you want to develop a category in a supermarket, you need to get support from an industrial actor present on the supplier side. You cannot work on the fish market and at the same time develop efficient category management. Here the supplier side is too fragmented and you cannot develop the relationship you need with a supplier to develop the category further. And Japan has a great need for category management in the seafood business.

If you went to Japanese supermarket 10 years ago and saw the fresh seafood department, and if you went today, there has been no change. There has been a steady decline in fresh seafood sales in Japanese supermarkets for a long time. At the same time other food departments have increased their turnover, such as delicatessen. And why has this happened? Because the deli department have thought category, and “how can we develop the category to cater for changing Japanese consumer buying behaviour in terms of a shortage of time spent preparing food, less knowledge about cooking, fewer traditional Japanese family patterns and smaller families?”

Actually the same trends as in the west. The difference is that in the west we have started to do something about it. A major reason for why we have the position that we have in the Nordic countries, is that the major retail chains have seen that farmed salmon is a key product in...
developing the seafood category. And this realisation is slowly coming to the Japanese market. And here we can play a key part. But to achieve this you have to be present at the major retail chains, and you must have facilities and market impact that enables you to do category development with the retailers.

We want to contribute to this development [category management] in Japan.

I refer to what I call the "good circle". You have seen this for some time in Europe. This is a strong focus on health, combined with a positive image of seafood (seen as fashionable, urban and youthful), combined with salmon as an industrial product. European supermarket chains have seen the health focus and positive image with the consumers, and they have approached the salmon industry and found partners which have been able to develop the category in terms of stable supply, and products fulfilling these consumer demands. If you compare European supermarkets today with ten years ago, there has been an extreme development. 10 years ago you would find fish dishes with whole fish in French supermarkets. Today you see portions, loins, fillets, marinated products, processed products and smoked products. And all this has occurred because you have had a growing demand for seafood in Europe based on health and image, and at the same time you have a product which is easily accessible and a product which is suited for building a category towards specific needs of the consumers. In Japan, health focus is very much present. Seafood image is not as developed as in Europe, but there is a sound basis for it. Salmon as industrial product is very much present in Japan. The potential for starting the same circle is very much present in Japan. For instance, the Japanese Department of Fisheries recently published a white paper on concerns over reduced seafood consumption. Japan is one of the few countries in the world which actually reduce seafood consumption. I think one of the main reasons for this is lack of innovation, rigid structures, lack of new ways of developing categories at the retail level.

[to achieve this] I have to find partners which share this view of reality. And I find them at the importer level and at the retailer level. This has definitely been the main selection criteria!

but the idea is emerging. This sensemaking at actor level (31) He must work closely with the retailers to achieve this (32).

same as us (31)
ED: Must work closely with retailers to achieve this (32)

This is sensemaking at the actor level, as it is his goal.

EA: Wants to contribute (33)

Here he compares the development of Japanese retailing with the retailing in Europe. He sees similar trends slowly appearing in Japan. This is sensemaking at network level (34).

EN: New health trends are appearing in Japan (34)

This is sensemaking at the actor level he needs to find partners

EA: needs to find other actors sharing the same view
But at the same time, one of our main partners is here now [points at the import level in the traditional system]. But they wish to develop towards this [points at the import level in the direct system]. And I believe that there is a lot which can be developed within the traditional system yet. These people are suffering [points at the secondary wholesalers]. You can help them. There have been a number of bankruptcies among the secondary wholesalers in Japan. They have their turnover reduced, the catches are smaller, and there is less fish available, fewer quantities are being sold through the fish market, etc. So they suffer immensely. You can help them with a product which is in stable supply. They can also work with category management towards their customers.

This is a further example of sensemaking at actor level. To change the distribution system, actors in the traditional system must change their view of reality.

And this is where we are at the moment. We have spent a lot of time recently discussing and establish a common view of reality with our partners. A lot of time. And this is what we want: To build a firm foundation which includes a common understanding of market challenges, to increase the current business, and develop new areas together. And this is where we are with our three
partners at the moment.

We want to remain in the fish market. We cannot omit the fish market completely. It will not work. We want to work with them. We supply large volumes here at present. And we will try to develop concepts which are suitable for this kind of distribution. But it is more difficult to talk about category management with an actor who sells to a secondary wholesaler. He has at least 50 secondary wholesalers. You cannot work like this. Working with 50 wholesalers who each have 3 – 4 retailers that he works with. This gets to complicated. So, it this system we have to work with them on other areas. Like the sushi restaurant market.

In the kaiten sushi segment tuna has a very strong position. In the traditional sushi segment, tuna is getting too expensive and supply is unstable. Tuna is a species which is under strong international pressure, availability is unstable, and prices are rising much more than salmon. I believe that there is an extreme potential to increase salmon sales in the traditional segment. To achieve this we need to supply salmon of high quality to this segment.

And to reach this segment [traditional sushi restaurant market] the direct system doesn’t work. You have to be in the traditional system [the fish market].

Therefore, these guys [the fish market] are important. But these will not accept our view outright. They are resistant and say that “this is impossible”, “this will not go”, “they will not accept” and so on. But I don’t accept this. I have to try and try over again.

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<tr>
<td>38</td>
<td>the distribution channel, he must change his partners’ perceptions. (38)</td>
</tr>
<tr>
<td>39</td>
<td>Here he talks about his need to work with the fish market in the future. He also talks about a change in resource ties with the fish market as he wants to develop other concepts with them. (39)</td>
</tr>
<tr>
<td>39</td>
<td>CD: Will develop new concepts with FM (39)</td>
</tr>
<tr>
<td>40</td>
<td>Here he identifies the problems and the potential for a change in resource ties: Salmon has the possibility to replace tuna in the traditional sushi segment. (40)</td>
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<tr>
<td>41</td>
<td>CD: Salmon will replace tuna (40)</td>
</tr>
<tr>
<td>42</td>
<td>Driving this change is sensemaking on the actor level: he needs to provide quality salmon to this segment. This is sensemaking on the network level (41). He needs to maintain his connections with the fish market in order to exploit this possibility. (42)</td>
</tr>
<tr>
<td>43</td>
<td>Here he talks about resistance to change among the fish market people. (43)</td>
</tr>
<tr>
<td>43</td>
<td>EA: Actors at FM needs to change their view of the (43)</td>
</tr>
<tr>
<td>43</td>
<td>EN: Needs to keep ties to the fish market (42)</td>
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But the primary thing is to convince the importer, and to have them sharing your view in order to get closer to [points at the primary wholesaler]. And we to a large degree achieved this. Particularly one actor agrees completely. We agree on a strategy now, and I am going over there in two weeks, and we are visiting 4 primary wholesalers and describe precisely this picture to them and propose a joint strategy to get to these [points at the retail level]. We want to attack this level [points at the retailer] in cooperation with these [points at the primary wholesaler]. And then it is up to them to find the best route from here to the restaurants together with us.

To create changes, the pictures which the actors retailers in traditional system have, must be the same as the rest of this distribution chain.

Together with our importers we aim to go into dialogue with 3-4 primary wholesalers. And these actors must work together on this. We have to map out a process which aims to influence these people [points at the retailers].

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<td>44</td>
<td>Here he describes a future direction of the network where the network becomes more integrated and he develops closer ties to the retailers</td>
<td>N: More integrated network (44)</td>
<td>This change is driven by changed perceptions of the actors, i.e. sensemaking at the actor level (45).</td>
<td>EA: Importers must change their view (45)</td>
<td></td>
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<tr>
<td>46</td>
<td></td>
<td></td>
<td>This is another example of sensemaking at actor level (as above). To create changes, the actors need to change their way of looking at the world (46)</td>
<td>EA: Actors must change their view (46)</td>
<td></td>
</tr>
<tr>
<td>47</td>
<td>Here he describes a future integration of the network between the exporter, importer, wholesaler and retailer. This is change at network level (47).</td>
<td>CD: Further integration of network (47)</td>
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Appendix F:

Mapping changes on Model 4 using the template, Norway Salmon