Towards a New Model for Understanding How Actors Interact in Business Relationships

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Abstract. This paper proposes a new model for understanding and analyzing how actors interact in business relationships. It is suggested that actors interact in business relationships by navigating between a pluralism of ‘worlds’. Although interactions have been a main concept within IMP existing models do not explicitly address how actors act during interactions (Axelsson 2010; Håkansson et al. 2009). The paper continuous the current discussion about the nature of actors and interactions (La Rocca 2013; La Rocca & Snehota 2011). Additionally, the paper contribute to the discussion about the role of actors’ ideas or logics in business relationships (Welch & Wilkinson 2002; Öberg & Shih 2014).

Key words: Business interactions, business actors, business marketing, pragmatic sociology

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INTRODUCTION

This paper proposes a new model for understanding and analyzing how actors interact in business relationships. It is suggested that actors interact in business relationships by navigating between a pluralism of ‘worlds’. Although interactions have been a main concept within IMP existing models do not explicitly address how actors act during interactions (Axelsson 2010; Håkansson et al. 2009). The paper continues the current discussion about the nature of actors and interactions (La Rocca 2013; La Rocca & Snehota 2011). Additionally, the paper contribute to the discussion about the role of actors’ ideas or logics in business relationships (Welch & Wilkinson 2002; Öberg & Shih 2014).

The rest of the paper is structured as follows. First, the existing analytical models developed within IMP for understanding and analyzing business relationships is presented and discussed. These include The Interaction Model (Håkansson 1982) and the ARA-model (Håkansson & Johanson 1992; Håkansson & Snehota 1995). Secondly, the theoretical foundation of the suggested new model brought in from pragmatic sociology is presented (Boltanski & Thévenot 2006) followed by the development of the new model, The Interacting Model. Then The Interacting Model is applied and tested on a multiple case study of the business interactions unfolding between actors from two strategic food networks. The model is used to analyze and explain the dynamics of the interactions unfolding between actors in the networks. The paper ends up with a reflection on the applicability of the model for analyzing interactions in business relationships and some concluding remarks.

REVIEWING EXISTING ANALYTICAL MODELS

This section presents and discusses the two main models developed within IMP for studying business relationships and their insufficient capability to capture important aspects about how actors interact in business relationships is outlined. It is argued that, although interactions between actors in business relationships have been a main concept within IMP, neither of these models explicitly addresses how actors interact in business relationships.

Within IMP two main analytical models have been developed that can be applied when studying business relationships empirically. The first model, The Interaction Model was developed by Håkansson (1982). The Interaction Model can be seen as an analytical framework addressing some key issues of dyadic business relationships. According to this model, variables associated with four elements should be included when analyzing dyadic business relationships: 1) the interaction process, 2) the actors, 3) the environment and 4) the atmosphere. In the description of the interaction process a distinguish is made between the individual episodes in a relationship (e.g. placing or receiving an order) and the long-term aspects associated with being in a relationship which is affected by and affects each episode. The episodes are divided into product or service exchange, information exchange, financial exchange and social exchange. The long-term relationship aspects involve institutionalized expectations, contact patterns and adaptations.

Although the interaction model points our attention to important issues relevant for studying business relationships it is mainly concerned with the structural factors playing upon the interaction process rather than what is actually happening in the interaction between interacting business actors (Axelsson 2010).

The second model, The ARA Model was developed by Håkansson & Johanson (1992) addressing the notion of business relationships in a broader network context. According to the model, business relationships in networks involve three elements: actors (A), resources (R) and activities (A) or actor bonds, resource ties and activity links as noted by Håkansson & Snehota (1995: chapter 5). Focus in both theoretical and empirical research using the ARA model has until now mainly been on resources and activities, while the actor dimension is less well developed (Håkansson et al. 2009: 134). Following this, as Axelsson
(2010) notes, there have been: “... relatively limited focus on individuals involved in business, their interpretations and actions and the implications of this” (24).

The relatively limited focus on the actors and how they interact in business relationships is also dealt with by Welch & Wilkinson (2002). They suggest that the ARA model should be extended with a fourth dimension, namely that of ideas or schemas. Inspired by Gell-Mann (1995), schemas are defined as systems of ideas underlying an organization’s actions and responses (Welch & Wilkinson 2002). They argue that a focus on ideas or logics can contribute to a better understanding of network development and behavior. Although the extension of the ARA model with a fourth I-dimension is a fruitful contribution towards a more implicit focus on the individual and its interpretations in shaping business relationships through interactions, it still has its shortcomings. These are outlines and discussed below.

Focus on the individual
First of all, the notion of ideas are focused on how the individuals “… make sense of their world and the interactions taking place with other organizations…” (Welch & Wilkinson 2002: 27). This focus is similar to the network picture concept understood as “… managers’ subjective mental representations of their relevant business environment” (Henneberg, Mouzas, & Naudé, 2006: 408). This psychological orientation towards the individual perception of the business landscape, its partners and the interactions can be relevant to identify how business relationships develop with reference to the actors’ subjective ideas of what is going on. Hence, business relationships have until know been analyzed and explained from mainly two different analytical angles: a structural and a psychological angle. However, the social, intersubjective and interaction specific aspects have until know been neglected. This paper points our attention towards the social aspects of how actors interact in business interactions suggesting a model that can be used to find alternative explanations of business relationships than those provided by the structural and psychological angles.

Missing clarification and empirical foundations of the logics
Although the concept of logics have both been dealt with conceptual and empirically the content of each logics is not described in details (Welch & Wilkinson 2002; Öberg & Shih 2014). Håkansson et al. (2009) identify three logics that actors in business relationships frequently apply during interactions. These are an instrumental or technical logic, an economic or business logic and institutional logics. The instrumental or technical logic is concerned with combining and linking resources and activities in order to achieve the desired performance. The economic or business logic focus is on economic efficiency through cost-benefit analysis. The institutional logic comes into play when actors are confronted with situations that are difficult to solve using their instrumental or economic dimensions. It is described as the collective picture of which rules and norms should apply in a specific situation. However, it is not specified in more detail what these norms, rules or institutional logics consist of. Moreover, the conceptualization and identification of these specific logics are not rooted in empirical research but is more the result of a process of armchair deduction. As this section shows, we still need to no more in details about each of the various logics that actors apply when interacting in business relationships.

Dynamics and friction between logics are missing
Studies dealing with logics in business relationships as well as institutional logics theory in general (Thornton et al. 2012) are mainly concerned with identifying logics and how one dominating logic is followed by another. These studies misses the dynamic aspects of business interactions where different logics are brought into play in the business process. Hence, the last shortcoming is that studies until know have not addressed the friction, clashes,
conflicts and compromises between logics and their consequences for the interactions and development of business relationships.

These three shortcomings are addressed and incorporated in the new model for analyzing business relationships. Before presenting *The Interacting Model*, the theoretical foundation behind the development of the model is presented represented by pragmatic sociology.

**PRAGMATIC SOCIOLOGY AS THEORETICAL FOUNDATION**

Boltanski and Thévenot have observed that individuals constantly make justifications in order to legitimize different kinds of behavior in specific situations. This theory of justification draws attention to how individuals “... criticize, challenge institutions, argue with another, or converge toward agreement” (Boltanski & Thévenot 2006). Brought into analysis of interactions in business relationships, the theory point our attention to the logics that individuals mobilize in order to justify their actions in these situations. Boltanski and Thévenot have observed that individuals justify their behavior by mobilizing logics from six “worlds”. Later on Boltanski and Chiapello identified an additional one (Boltanski & Chiapello 2005). These worlds are: the inspired world, the domestic world, the world of fame, the civic world, the market, the industrial world and the seventh called the project world. Each of these worlds can be characterized through different parameters. These include: a higher common principle, a mode or scale of evaluation that measures state of greatness and smallness, a list of qualified subjects and objects, and different kinds of legitimacy tests. Through these parameters the different worlds can be identified in the network participants’ efforts to justify their dealing with and solving of difficult marketing related issues through their interactions. As an example, to be efficient provides greatness, the engineer is a qualified subject and performance is the higher common principle inside the industrial world. With reference to the world of inspiration, the artist is a qualified subject, creativity and spontaneity provides greatness, and inspiration is the higher common principle. This illustration gives a brief overview of the seven worlds:

<table>
<thead>
<tr>
<th>World</th>
<th>Qualified subject, higher common principle, scale of evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Inspired World</td>
<td>Artists, inspiration, uniqueness</td>
</tr>
<tr>
<td>The Domestic World</td>
<td>Kings, tradition, proper behavior</td>
</tr>
<tr>
<td>The World of Fame</td>
<td>Stars, public opinions, reputation</td>
</tr>
<tr>
<td>The Civic World</td>
<td>Spokespersons, collective will, unitary</td>
</tr>
<tr>
<td>The Market World</td>
<td>Millionaires, opportunism, money</td>
</tr>
<tr>
<td>The Industrial World</td>
<td>Engineers, efficiency, functionality</td>
</tr>
<tr>
<td>The Project World</td>
<td>Mediator, relations, number of connections</td>
</tr>
</tbody>
</table>

Source: Own preparation

The model will in this paper be used to identify and explain which worlds the actors in the networks mobilize and combine in their efforts in dealing with challenges related to the development of their marketing practice. This analytical framework is both suitable for describing the disagreements as well as the process of reaching agreements (Boltanski & Thévenot 2006). A dispute, controversy or dilemma involves subjects, objects and arguments from two or more conflicting logics. By mobilizing these logics, actors try to justify the handling of the situation with reference to what is seen as worthy behavior in each world. At the same time an agreement is reached on the basis of the involved participants’ ability to make compromises between the same logics that were represented in the conflict or by bringing a new logic into play.
The theoretical framework of pragmatic sociology comprise the theoretical foundation of the suggested new model for analyzing interactions in business relationships developed in the section below.

DEVELOPING THE INTERACTING MODEL

The suggested model consist of three elements:

- Interacting actors
- ‘Abstract’ worlds
- Symbols, vocabularies and arrangements

Interacting actors
The interacting actors are those involved in the business relationship that is being studied. An actor can be a buyer, seller or anyone involved in the business relationship. In this paper, the interacting actors are the members of the two networks.

‘Abstract’ worlds
Using the term, worlds refer to the work of Boltanski & Thévenot (2006) and can be defined as a limited number of action and attitude logics that actors mobilize or refer to when justifying their behavior in conflictual situations.

Symbols and vocabularies
Symbols are objects and subjects that are qualified within each world. A commercial and a PR agent are qualified objects and subjects within the world of fame while a smooth running machine and the engineer are worthy objects and subjects within the industrial world. Vocabularies are words and arguments belonging to each world. The word, business case and an argument stressing a strategy’s economic benefits belong to the market world while a word like brainstorming belong to the world of inspiration.

The relation between the three components
Interacting actors mobilize symbols and vocabularies in order to justify their actions. When participating in a business meeting the involved actors will influence the negotiation through the mobilization of symbols and vocabularies belonging to one a more worlds.

The Interacting Model and its elements can be illustrated as shown in figure 1:
METHODOLOGY
In this section the developed model is applied on a case study of two Danish strategic food networks. A strategic food network is defined as “Networks of independently owned small to medium-sized specialty food companies promoting synergistic use of resources through transactional and transformational activities” (Human & Provan 2000). The strategic food networks studied in this paper are both established on the basis of public business promotion programs aiming at supporting growth and employment in those regions where the networks are geographically located. Moreover, the networks are both organized as an association with a board elected on the yearly general assembly.

The data from the two cases included in the case study was collected as part of a PhD project carried out by the author (Boesen 2015). Eight cases were studied in the PhD. The two cases were chosen on the basis of a maximum variation sampling strategy as these cases where those that developed in the two most radical directions.

The data collection techniques applied to study the cases were observations as the main method with interviews and documents as supplement. Observations were conducted for producing a rich, real-time and longitudinal data material of how actors in strategic food networks develop their marketing practice. The settings observed were those activities where the network members developed their marketing activities. These were board meetings, network meetings and annual general meetings observed monthly over a period of one year in each network. Observing these settings enabled me to get access to the interactions through which the network actors developed their marketing practice. Additionally, I was able to identify those logics that the network actors applied during their discussions about various marketing related issues as well as the conflicts, friction and compromise made between them. The role of the observer can be characterized mainly as passive. However, in some situations I was drawn into those discussions where the network actors thought I had some worthy knowledge from my research. Most of the time, however, the meetings were just running as if I had not been present. The observations were supplemented with interviews with network members where I could ask clarifying questions. The interviews were both informal during breaks in relation to the observed meetings as well as more formal interviews using a semi-structured interview guide. Also documents were
collected and analyzed for having knowledge about the history of the networks prior to the period of the observations.

Overall, the collected real-time and longitudinal data is in accordance with the IMP approach to marketing as a long-term process between interacting actors as well as the idea behind the model.

APPLYING THE MODEL
The model was applied in the analysis of three dilemmas that the actors in the networks frequently discuss during interactions at network and board meetings. These dilemmas are about:

- Criteria for membership
- Independence in a network
- Financially viable branding

The discussion of each dilemma is structured as follows: 1) A description of the dilemma, 2) An identification of the logics conflicting in the dilemma, 3) An analysis of compromises and how the dilemma is solved.

Criteria for membership

Description of the dilemma
This dilemma is related to discussions about inclusion and exclusion of firms in the network. The discussion is about what criteria should be fulfilled and what is seen as bad behavior that can lead to an exclusion from the network.

An important discussion in relation to regional based food networks is which parts of the production should be placed in the region. Some would argue that all or the main part of the ingredients in the final product must be raw materials from the regions. Others argue that the companies are allowed to use raw materials from outside the region as long as the raw materials are processed in the region. This dilemma is represented in a concrete situation coded from the empirical data.

The situation takes place in a regional food network placed in a region with a unique authentic historical regional branding profile characterized by high standards of craftsmanship and quality. The objective of the food producers in the network is to get their products associated with these unique brand characteristics. Both well-established as well as more unknown firms are represented in the network. With an interview with one of the members I curiously asked why one of the most popular and known firms was not a network member. The member explained that this firm was a trickster firm that exploited the brand of the region because most of the firms’ processing facilities are placed outside the region. From a regional branding perspective this dilemma is a conflict between the desire to maintain the authenticity of the region and the desire to do the production where it is most appropriate seen from a more business oriented perspective.

Identifying conflicting logics
The justification of actions related to maintenance of the authenticity elements of the brand can be placed inside the world of inspiration. In this world it is “… through what they [persons, groups, or companies red.] have that is most original and most peculiar to them, that is, through their own genius, that they give themselves to others and serve the common good” (Boltanski & Thévenot, 2006, 161). In this world beings or firms are appreciated for their uniqueness. This uniqueness is what the member firms protect when a firm is excluded.
from participation in the network because of lack of safeguarding the history, traditions and folklore of the region.

On the contrary actions justified by a business oriented perspective can be categorized under the market world. In the market world worthy behavior is to “... exploit the situation opportunistically and take advantage of opportunities that arise (...) getting ahead, challenging oneself, taking the edge, being a winner, a top dog” (Boltanski & Thévenot, 2006, 197). These are the values that the network firm member accuses the firm from outside the network for exploiting. Actions based on values from the market world are seen as highly inappropriate and in great conflict with the values from the inspiration world. Following this, the critique is mobilized from the world of inspiration against the market world arguing that its values ruin the uniqueness of the brand because of selfish opportunistic behavior (Boltanski & Thévenot, 2006, 239).

Solution and compromise
This dilemma is related to discussions dealing with criteria for being a network member and is about where and which parts of the production system should be placed. One extreme solution could be completely to meet the demands about unique regional characteristics. This would mean strictly use of regional raw materials only as well as regional placed production facilities. This would be an absolute fulfillment of the values worthy in the world of inspiration. The exact opposite extreme solution would be no criteria or expectations at all to the regional characteristics. This complies with the values from the market world where firms without limits can exploit the brand regardless of the origin of the ingredients and place of production facilities. A solution can be found in the regulation from one of the network studied where it is stated that the product made by the member firms of the network must be processed in the region. This solution is a compromise between values from the two worlds where the standards related to the use of regional raw materials and production facilities have been reduced to meet the demands from the market world. This compromise implies that firms in the network can make a profit and maintain the regional brand at the same time.

Independence in a network

Description of the dilemma
Most of the members in food networks are either entrepreneurs or former suppliers to the big industrial food companies. In spite of dissimilar historical backgrounds as well as different degrees of previous experiences, they have one thing in common; they worship autonomy and freedom. This is somehow in stark contrast being a part of a network with the idea of working together and to make compromises in order to serve the common good of the network as a whole. As one of the members of a food network formulates it: “We are willing to corporate, but each of us will still have the right to veto, because we are self-employed company owners, not a passive part of a big syndicate”. The entrepreneurs are typically very passionate, and have started their company with the primary objective to live out a dream they have had since they were young. With regard to the former industrial suppliers, the dominating values are quite similar. These producers have been under a huge pressure constantly trying to increase efficiency focusing on price and volume as the only competitive parameters. The results of this break with industrial principles is the emergence of a group of food producers with an almost extreme focus on autonomy not giving up anything to meet the will of the network.

Identifying conflicting logics
This dilemma is one of the basic paradoxes when autonomous companies are put together in a network with the objective to work together and make decisions about the common future branding strategy.
The values mobilized among the companies – the entrepreneurs as well as the former industrial suppliers - can be found in the inspired world where worthy behavior is characterized by the ability to “... give oneself over to daydreaming, not always think about being useful, efficient, logical, rational” (Boltanski & Thévenot, 2006, 161). With regard to the former industrial suppliers the inspired values gain ground as a break with industrial values. These two worlds, the inspired and the industrial world is to a great extend the exact opposite of each other: “What is worthy is what cannot be controlled or – even more importantly – what cannot be measured, especially in its industrial forms” (Boltanski & Thévenot, 2006, 159). However, the important conflict represented in this dilemma is the conflict between the inspired world and the civic world. As shown above worthy behavior in the inspired world is actions that give rise to uniqueness and independence. On the contrary the civic world is based on collectivism. Hence, in the civic world worthy behavior is described as “Persons are all subject to the same justice because everyone possesses a conscience that is fashioned in the image of the collective conscience and because everyone is capable, by listening to the voice of the conscience, of subordinating his or her own will to the general will” (Boltanski & Thévenot, 2006, 185). Following this, the critique from the civic world towards the inspired world is based on the assumption that private interests as selfishness in the market world but also the elitism of worshipping and obeying one’s own originality and genius as in the inspired world is unworthy behavior.

Solution and compromise
The dilemma described and the conflicts between the identified logics are hard to solve. One of the networks studied were initiated by a so-called food ambassador who acted as an anchorman in the first period of the network’s existence. After he had handed in his resignation everything began to get much more complicated. As one of the members states: “Right now, we are a bunch of spoiled teenagers” (Interview). Another member points that the employment of the food ambassador was one of the most critical aspects involved with the success of the network. This indicates that the solution to the conflict is to have a chief who can make decisions on behalf of the network moving the network forwards. Following this, the dilemma can be solved with ideas from the domestic world. Introducing a hierarchical order and delegate a mandate to a superior is in line with the domestic logic. This superior, who is the most worthy in the domestic world, has the authority to make decisions on behalf of the less worthy. In the domestic world: “It is through reference to generation, tradition, and hierarchy that order can be established among beings of a domestic nature” (Boltanski & Thévenot, 2006, 165). This means that the superior has been well brought up and therefor acts proper with good manners. Following this, the members in the network can trust this person to act in a just way since he has earned his respect through his upbringing. Therefore, members of a network can solve the dilemma between independence (inspired worth) and collectivism (civic worth) by authorizing someone who has earned their trust to be the superior chief of the network (domestic worth).

Financially viable branding
Description of the dilemma
Having a successful brand means that customers have a preference for the brand owners’ product compared to companies offering a similar complementary product giving the brand owners company a comparative advantage. Therefore, most firms in today’s business environment invest huge amounts of resources in branding activities. Following this, branding activities are usually seen as a normal part of a company’s expenses. However this common understanding is challenged in food networks.
A member explains: “You should know, how many requests we get from people who offers us to come by their city to build up a marketplace”. Similar, at a network meeting one of the members points out that a local municipality has offered the network to build up a marketplace on the city square free of charge. This leads to a debate about whether this is a good idea or not. Some argue that the offering is a good opportunity for branding the products in a public place especially when it is free of charge. Another member points out that participating in these kinds of activities means a lot of expenses related to transportation, man hours and raw material and is not financially viable at all. This is a highly equivocal dilemma. On one hand it is argued that building up a marketplace in the city square is a branding activity that will have a positive effect on the long run. In that case it can be justified to have expenses related to this activity. On the other hand building up a marketplace can be seen as an activity resulting in a lot of expenses and that these should be financed by the organizers.

Identifying conflicting logics

This dilemma is about whether or not to participate in branding activities that are not financially viable seen in isolation. Branding as a phenomenon can be placed inside the world of fame where “Fame establishes worth. In the world of public opinion, worthy beings are the ones that distinguish themselves, are visible, famous, recognized: their visibility depends on their more or less attention-getting, persuasive, informative character” (Boltanski & Thévenot, 2006, 179). Participating in branding activities has potential to increase the reputation of the networks’ products with a positive influence on the opinion of others. These characteristics are seen as worthy qualities in the world of fame and represents one of the two logics present in this dilemma. Other members of the network criticize the participation in such branding activities with arguments from the market world. In the market world “worthy objects are salable goods that have a strong position in a market” (Boltanski & Thévenot, 2006, 198). Therefore, these kinds of non-profitable branding activities cannot be justified inside the market world. It is shown that the world of fame and the market world are en mutual conflict. The market world criticizes the world of fame for ignoring the fact that every business activity should be profitable also on the short run. On the contrary the world of fame criticize the market world for letting the short-term economic elements overrule and not taking into account the valuable aspects of being known and have a good reputation in the public.

Solution and compromise

As described the dilemma is about whether to engage in branding activities that are not directly financially viable. One solution was to engage in the activities. This was justified by mobilizing logics from the world of fame such as increased reputation. Another solution was not to engage in the activities. This was justified with reference to the market world arguing that participating is not profitable and therefore not desirable. A compromise seems obviously and that is only to participate in branding activities that are profitable. As one of the network members explains: “In every single activity you carry out you have to secure that it is financially viable. This is essential if the network is to survive in the future”. Two situations were found in the empirical data where the members succeeded settling in a compromise. A member explains: “Some months ago the network was invited to do a buffet at a conference with 100 businesspeople in a municipality. They paid us for making this buffet and it was a huge success not only as a branding activity but also financially and for the social cohesion in the network as well”. In this situation the network manages to make a compromise between the world of fame and the market world by participating in a branding activity that apart from giving the network attention and increased reputation also was
profitable. At a network meeting a network member turned the situation upsides down regarding a solution to the challenges related to establishing temporary marketplaces at city squares. The member suggested challenging the dominating understanding that networks should pay for participating in events at city squares. He refers to bands that most often get paid a considerable sum of money doing shows at city squares. Following this, the member points out the idea of enhance the entertainment elements in visiting a city square with local specialties as well as the histories and experiences that it involves. In this suggestion the member mobilizes logics from three worlds. First, he acknowledges that branding activities must be profitable with reference to the market world. Secondly, he emphasizes the branding value not only for the network but also for the organizers of the event by having local food products and the stories represented. In relation to this last part the member brings in logics from a third world. By referring to the uniqueness, histories and passion which are elements that are often associated with local food products he mobilizes values from the world of inspiration as a solution to the conflict between the world of fame and the market world.

CONCLUDING REMARKS
This paper proposed a new model for analyzing interactions in business relationships. It was argued that existing models within IMP are focusing on the structural and psychological aspects of business interactions. What is missing in these models are an analytical focus on the social aspects and dynamics associated with interactions in business relationships. It is suggested that interactions in business relationships can be analyzed by identifying and focus on the logics or worlds that business actors mobilize to solve important dilemmas when interacting in business relationships. On this basis, a new model for analyzing interactions in business relationships was developed and applied in an empirical case study of two strategic food networks. The application of the model in the analysis resulted in knowledge about important aspects of the social dynamics associated with interacting in business relationships. It was illustrated how dilemmas in business relationships can be analyzed by identifying the worlds that the involved actors during interactions were mobilizing as well as the friction, conflicts and compromises made between them.


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