



## Trigger issues in emerging relationships



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### ABSTRACT

Classic IMP research always emphasizes the important role of actor bonds. Relationships involve the development of social bonds over time between two or more actors, and in most relationships there is great variation in terms of the time it takes for these actors to develop perceptions about each other. Interestingly, however, there is much less research about how business relationships come into being. 'Business relationship emerging flow' describes a potential process by which business relationships come into being, from a starting situation through the trigger issues which motivate the matching process, to the establishment of new relationships. This paper places its focus on the trigger issues which could boost emerging relationships. The birth of an important relationship with a Hungarian company is discussed using retrospective interviews with parties, suppliers and customers. For deeper understanding of these trigger issues and to make them more tangible and applicable, a theoretical, logical framework is developed using two dimensions: space and time. Trigger issues are analyzed along these two dimensions. The paper closes by considering theoretical and managerial applications and further research issues.

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## 1. Introduction

Interaction is the central process within the business landscape (Ford, Gadde, Håkansson, Snehota, & Waluszewski, 2010), built up by business relationships and business networks. The interaction process (Håkansson, 1982) "considers that either buyer or seller may take the initiative in seeking a partner" (Ford, 1980: 340) and generally begins with information exchange episodes, followed by social exchange episodes (Håkansson, 1982). Exchange episodes demand investment in time, in technology (information exchange) and in human resources (social exchange). Information can be transferred between parties either by personal or impersonal means.

Impersonal communication is often used to transfer basic technical and/or commercial data. "Personal channels are more likely to be used for the transfer of 'soft data' concerning, for example, the use of a product, the conditions of an agreement between the parties, or supportive or general information about either party" (Håkansson, 1982: 24).

A social exchange episode refers to the different types of personal contacts between the actors involved in the relationships. Social

exchange episodes have an important function in reducing uncertainties between two parties (Håkansson, 1982).

Actor bonds (Håkansson and Snehota, 1995) are generally of two types: connections at an organizational level, and connections at an individual level – as detailed in the Interaction Model (Håkansson, 1982). First, the Interaction Model pays much attention to organizations as well as actors, and "to how organizations (rather than individuals) interact" (La Rocca, Snehota, & Trabattoni, 2015: 169). Second, there exists a paradox that the materiality of inter-organizational business relationships reinforces and strengthens the significance of subjective meanings mutually attributed among individual actors. Given these additions and the greater level of complexity, actors can be deemed 'interdependent storytellers' (La Rocca et al., 2015) who provide reasons for their counterparts to develop relationships.

"The substantive nature of business interactions indicates that each interaction process will take a unique form in time and network space" (Ford et al., 2010: 82). The starting point of the emergence process which could lead to the birth of a relationship is thus co-existence in space and in time (Mandják et al., 2015).

The goal of this paper is to provide deeper understanding of trigger issues (Mandják et al., 2015) through research into their spatial and time dimensions. Accordingly, the primary research question is *how can trigger issues in emerging relationships be understood in time and in space?* Understanding this is a fundamentally important challenge for

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the management of interactions (Ford et al., 2010) and, consequently, of business relationships (Håkansson, 1982). From a research point of view the model later provided represents a contribution to the theory of Business Relationship Emerging Flow (Mandják et al., 2015). The theoretical significance of the paper is its contribution to IMP literature by dealing with the time and space dimensions of the interaction process and its provision of a useful framework for analyzing concrete cases. From a practical, managerial point of view better knowledge of trigger issues can help with management of the emerging phase of a new business relationship. The practical relevance of the research is grounded on the paper's illustration of how a successful business can be established through these kinds of trigger issues.

As business relationships are based on interaction processes (Håkansson, 1982), to better understand trigger issues we employ work by Ford et al. (2010) by using the two variables time and space to examine the characteristics of trigger issues in more detail. In the IMP approach (Håkansson, 2006) the business network is a potentially intangible (abstract) representation of space. Embeddedness is one possible indicator of its localization, thus, logically, the concept of embeddedness may be used to interpret the dimension of space. It is important to clarify the role of embeddedness in understanding the evolution of business networks – mainly how “embeddedness functions as a force for change in the evolution of networks” (Halinen & Törnroos, 1998: 187).

The time variable is interpreted as the extent of the progression of the interaction process, investigated through observing how time flow is observable during the development of a relationship. We chose the topic of information exchange flow between actors to represent the intangible progress of time. This relates to the evolution of a relationship (Ford, 1980) in which both space and time dimensions are interconnected.

Trigger issues can be characterized as boosting factors which help to start a relationship and to generate the process of emergence. Trigger issues are located in a hypothetical two dimensional frame of space and time which make the dimensions more tangible and applicable in practice. Both organizational and individual-level trigger issues may spur actors to engage in a process of mutual interaction.

Individual trigger issues include personal reputation (Larson, 1992; Wilson, 1995), prior relations (Larson, 1992) and referral (Gulati & Gargiulo, 1999). Larson (1992) concludes that the first phase of network dyad development (i.e. the preconditions for exchange) utilizes prior relations, in addition to personal and firm reputation, to reduce uncertainty and establish expectations and obligations. Wilson's (1995) argument is similar: in addition to personal reputation and firm reputation this author investigates reputation for performance through social bonding. Referrals were emphasized in Gulati and Gargiulo's (1999) findings as an important mechanism through which organizations can learn about reliable partners; i.e. about organizational reliability.

Individual trigger issues are rooted in the fact that individuals differ in importance in a social network, and some can be considered key individuals. Social network theory (Scott, 2000) also highlights the fact that indirect connections can be important (e.g. your partners' partners matter). Moreover, within a social group, differences among individuals in terms of their social experiences and connections affect individual and group outcomes (Scott, 2000).

Organizational-level trigger issues include network position (Gulati & Gargiulo, 1999; Kenis and Oerlemans, 2007), attractiveness (Dwyer, Schurr, & Oh, 1987; Ford, 1980), goodwill (Wilson, 1995; Gulati & Gargiulo, 1999; Larson, 1992), visibility (Kenis and Oerlemans, 2007) and initiator (Larson, 1992). There is agreement between Gulati and Gargiulo's (1999) and Kenis and Oerlemans's (2008) findings about the parameters of partner selection, in that network position plays an outstanding role. Kenis and Oerlemans (2007) further claim that the network position of an organization influences its ability to access information about “potential partners as well as its visibility and its attractiveness to other organizations” (Gulati & Gargiulo, 1999: 296). According to Dwyer et al. (1987), at the first stage of a buyer–seller relationship development process the “interaction between parties has

not transpired”. On the other hand, positioning may occur to enhance each party's own attractiveness. Gulati and Gargiulo (1999) note that goodwill (reputation) plays a role when obtained from trusted informants who have previously dealt with a potential partner and found this partner to be trustworthy, or “for relying on information from one's own past dealings with that person”. Finally, the role of initiator is noted by Larson (1992) as a condition for building entrepreneurial dyads that “in each of the examined inter-firm ties one side demonstrated an initiator proclivity and manifested in an initial willingness to engage in a more cooperative relationship” (Larson, 1992: 89).

## 2. Capturing the co-existence of business actors in space and time

IMP studies (Ford & Håkansson, 2006; Ford et al., 2010) emphasize and empirically prove that business interactions cannot be understood well without being analyzed in space and time. “The ability to analyse and cope with changes in relation to space dimensions becomes a key issue for actors.” (Ford et al., 2010: 93). Every interaction process is determined by the processes in which it is involved, and these provide the contexts within which interaction takes place. Continuing interactions change their positions and the structure. Interaction is interpretable as a creator of stability in a continuously changing landscape (Ford et al., 2010).

### 2.1. Co-existence in space: steps of embeddedness

Based on the aforementioned illustration of co-existence in space, we employ in this study the phenomenon of embeddedness. According to the IMP network approach it can be stated that firms are embedded in wider business networks which extend far beyond the boundaries of individual companies (Halinen & Törnroos, 1998). We adopt a broad view of the subject area of network embeddedness, as framed by Halinen and Törnroos (1998). According to these authors, business actors are dependent not only on one another, but also on a broader contextual setting specific to each company, and on temporal reality – past, present and future time (Halinen & Törnroos, 1998: 188). An additional concept of these authors relates to the representational role which is claimed to be a particularly powerful means of grasping the connectedness of business networks and their effect on network development (Halinen & Törnroos, 1998: 203). Sandberg (2003) gives concrete empirical accounts of the concept of embeddedness and states that actions and their outcomes are significantly affected by the embeddedness of the actors' relations. Uzzi (1997) expresses the need for a more concrete account of the effect of embeddedness and calls for more research into how social structure facilitates or derails economic action.

Social network theory focuses on communication and the gathering, exchange and flow of information. According to such theory, embeddedness is also operationalized from the point of view of information flow. On the other hand, in contrast to IMP business network theory, social network theory concentrates only on the social (personal bonding) dimension of the network, while IMP considers business networks as the structure and flow of economic, social and technological interactions among actors, activities and resources. From our research perspective, however, social network theory seems to be a useful complementary approach as the subject of investigation is the trigger issues at the birth of a business relationship. This refers to the situation when potential partners are in the phase of seeking new relationships, and are making efforts to contact other actors in the hope of beginning an interactive relationship. This new relationship does not yet contain all the exchange episodes (Håkansson, 1982) but only information and social ones.

Social network theory examines the formation of inter-organizational relationships (tie formations) that occur as a result of network embeddedness. The social network approach answers the question *how do networks influence whether a firm forms a link?* In our research approach this translates as: how does the spatial situation influence

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