Industrial Marketing Management 39 (2010) 963–974

Contents lists available at ScienceDirect

Industrial Marketing Management

What happened with the grandiose plans? Strategic plans and network realities in B2B interaction

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ARTICLE INFO

Article history:
Received 3 June 2009
Received in revised form 15 April 2010
Accepted 19 May 2010
Available online 7 July 2010

Keywords:
Strategy
Organizational levels
Operational
Top management
Acquisition
Procurement project
Case study
BT Industries
Volvo Group

ABSTRACT

Research concerned with business relationships and organizational levels, respectively, has addressed companies' difficulties in realizing their strategies. Studies of business relationships explain this through actions and reactions among business partners. Organizational studies note gaps between strategic and operational organizational levels in perceptions and goals. This paper combines these perspectives to obtain new insights into why company strategies may not materialize. The purpose of this paper is to describe and discuss how actor bonds on various organizational levels in business relationships affect strategy realization. The paper shows that actors on similar organizational levels representing different companies may actually share more understandings and activities than actors within the same company. The paper contributes to research on dyadic business relationships by highlighting differences in perspectives on various organizational levels, adds insights into research studying organizations by including a business-relationship aspect, and increases understanding of why strategic plans sometimes fail to succeed.

1. Introduction

The difficulties of realizing strategies have been acknowledged in research on interorganizational business relationships (Gadde, Huemer & Håkansson, 2003; Håkansson & Ford, 2002). This is explained by actions and reactions among business partners (Halinen, Salmi & Havila, 1999). However, also the own company may impact the strategy realization. Organizational research has shown how company representatives on various organizational levels may view matters in different ways (Aspesi & Vardhan, 1999; Longenecker & Gioia, 1992; Van Der Velde & Jansen, 1999). Since there are often a number of individuals representing each company in a business relationship (Axelsson & Agndal, 2005; Webster & Wind, 1972), several actor bonds (i.e. links between individuals representing interacting companies, Håkansson & Snehota, 1995) are established, presumably on various organizational levels, but often interlinking individuals on similar organizational levels of the interacting firms.

This paper brings together the perspectives of interorganizational business relationships, with actors on various organizational levels, to add insights into why company strategies may not materialize. Based on an empirical example, the paper argues that actors on similar organizational levels, but within different interacting companies, may actually share more understandings and act in better accordance with each other, than those on various organizational levels within the same company. This means that the difficulties of strategy realization may result from intraorganizational differences, or from a combination of interorganizational and intraorganizational differences, and that interorganizational actor bonds may be stronger than the perceived intraorganizational ones. The purpose of this paper is to describe and discuss how actor bonds on various organizational levels in business relationships affect strategy realization. The paper focuses specifically on the differences between the top management and operational levels in a dyadic business relationship and how this affects the realization of company strategies.

The paper contributes to research into dyadic business relationships by highlighting the different perspectives of actors on various organizational levels. Networking has come to represent activities performed by a company (Ford & Redwood, 2005) vis-à-vis other parties, but interorganizational activities equally occur at different organizational levels and may differ in their expression. The paper also contributes to the research into organizations and hierarchies by including a business-relationship aspect to the differences among various organizational levels. Organizational studies have pinpointed differences between individuals at various organizational levels (Aspesi & Vardhan, 1999; Van Der Velde & Jansen, 1999), but have studied this purely from an intraorganizational perspective without connecting it to business relationships. Managerially, this paper helps to increase understanding of why strategic plans are not always realized in business-to-business settings.

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doi:10.1016/j.indmarman.2010.06.016

The paper is structured in the following way: the next section connects research into the actor dimension of business relationships in marketing to the hierarchical division of organizations described by organizational theory. It does this to frame the overall topic of this paper and to indicate the gap in literature in regard to the consideration of various hierarchical levels of business relationships and their impact on strategy realization. The section thereafter describes the choice of research method, data collection and data analysis. The empirical part of the paper is based on a single case study (the BT Industries / Volvo Group business relationship) researched from the supplier and customer perspective that includes interviews with the top management and various operational levels of the two companies. Descriptions of the companies, their business relationship and change activities are outlined in the section following the description of the method. Differences between organizational levels in business relationships are related to the case study and analyzed using elements from research on organizational levels. Based on the case, three explanations are highlighted: control, closeness/distance, and differences in perception. These provide a basis for why strategies may not be realized. The paper ends with a discussion that includes managerial implications and suggestions for further research.

2. Theory

This section aims to provide a theoretical background for why it may be difficult to realize strategies as a result of actor bonds on various organizational levels of business relationships and also to indicate the research gap. Its point of departure involves individuals in marketing exchanges, and organizational-level representation in organizational research. These areas are quite broadly depicted to provide a background for the two fields. The section discusses how organizational levels are relevant to interorganizational research, and whether and how the existing literature addresses this. The section begins with a short introduction to business relationships and change, since the strategies that this paper examines, are connected to changes in business relationships.

2.1. Business relationships and change

Business relationships describe companies engaging in interactions with other parties rather than stochastically buying from, and selling to them. Continuity in the choice of interaction parties creates a sense of longevity, linking individual episodes of exchange to one another (Ford, 1980; Håkansson, 1982). A relationship can be described as consisting of various components, such as actor bonds, activity links and resource ties (Håkansson & Johanson, 1992; Håkansson & Snehota, 1995). A dyad describes two companies in a business relationship. These companies and their relationship are in turn embedded in a wider context of other exchanges and exchange parties, referred to as networks (Anderson, Håkansson & Johanson, 1994).

Companies in a business relationship adapt to each other by such measures as adjusting resources provided to the other party (Hallén, Johanson & Seyed-Mohamed, 1991). Such adjustments create dynamics in business relationships (Halinen et al., 1999). Companies may also try to change established structures and reposition themselves in the network (Gadde & Mattsson, 1987; Johanson & Mattsson, 1992), which may result in individual companies' intentions colliding (Ford & Håkansson, 2006). This paper exemplifies two types of strategic intentions: *convergent* and *divergent* activities. Convergence describes how two parties aim to achieve similar strategies in the business relationship; divergence means that they want to take the business relationship in different directions. Convergence and divergence are not entirely synonymous with adjustments in business relationships vis-à-vis repositioning activities. In a business relationship, one party may attempt to adjust to the other, but if the other party does not share this intention, the parties' aims are divergent. If both parties on the other hand decide to reposition their businesses, decide to dissolve the relationship, and so forth, their intentions converge. As will be shown in the paper, intentions at various organizational levels of a company may also diverge with regards to their participation in a business relationship.

2.2. Individuals in business-to-business marketing

Researchers have put various degrees of emphasis on the individual actors and bonds between them for the establishment and continuity of a business relationship (whether and to what extends actors are the foundation for a business relationship, Burt, 1992; Gordon, 1998; Homans, 1958; Sweeney, 1972). To exemplify, the service marketing literature on organizations (Grönroos, 2000; Zeithaml & Bitner, 2000) describes individuals within organizations as important carriers of values and interactions (cf. Vargo & Lusch, 2004). As carriers of interactions, individuals become vital for maintaining interorganizational business relationships. Seabright et al. (1992), Keaveney (1995), and Giller and Matear (2001) have researched how individuals may affect the probability of the dissolution of relationships. Thus, this indicates that actor bonds may be what actually create the business relationship. The network approach (Ford, 1980; Håkansson, 1982) has shown that individual-to-individual relationships may evolve from ongoing company-to-company relationships (Nielson, 1998) or become bridges between them (Havila, 1996; Havila & Wilkinson, 2002). This points to the fact that actor bonds are a component of business relationships (Hammarkvist, Håkansson & Mattsson, 1982; Håkansson, 1982; Hägg & Johanson, 1982), yet do not themselves construct the relationship. The network approach emphasizes relationships as being two-sided; representatives of both customers *and* suppliers are stressed. But, while business relationships are underpinned by actor bonds, research is mostly focused on the company-to-company level of relationships. Recently, interest has been directed to how individuals within organizations perceive the company network (Eriksson & Mattsson, 2002; Ford & Redwood, 2005; Henneberg, Mouzas & Naudé, 2006; Öberg, Henneberg & Mouzas, 2007). This means that the unit of analysis may well be individuals rather than companies. In studies on multinational companies, researchers have highlighted the multirepresentation of companies, where the local levels are affected by corporate ones (Forsgren & Johanson, 1992; Mazet, Salle & Spencer, 1995). And, Spencer (2004) has highlighted the embeddedness of actors in complex structures on an inter- and intracompany level. However, role division and multiactor representation has not been extensively examined from a two-sided relationship perspective, and when so, actors on various hierarchical levels are rarely included. Instead, one level is in focus, and described as embedded in structures of other actors.

When looking into various roles or functions of individuals in marketing research, much of the literature has concentrated on describing representatives of the buying *or* the selling organization (Demirdjian, 1984; Johnston & Cooper, 1981; Webster & Wind, 1972). Webster and Wind (1972) described individuals' roles in organizational buying (see also Webster, 1968). Gatekeepers, users, deciders, buyers and influencers indicate a process-oriented role division between individuals. Hillier (1975) similarly described the roles of individuals in companies' buying decisions, and Crow and Lindquist (1985), and Patton, Puto and King (1986) focused on individuals as part of companies' buying processes. The role of salespeople, with specific attention to key account systems, has been scrutinized in literature (Demirdjian, 1984; Johnston & Cooper, 1981; Parasuraman, 1975), emphasizing individuals in the supplier company. Staples and Coppett (1981) described how the sales staff will identify individual role keepers who work in buying firms to target the right audience for sales offers. This consequently creates a link between organizational