

Working paper

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Title:

# **A Socio-Material Approach to Business Relationship Development:**

## **Breakdowns as a change-oriented process**

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This paper was presented at the 28<sup>th</sup> IMP conference in Atlanta USA September 2013

## Abstract

*This paper explores how business relationships develop through various degrees of practice breakdowns. While prior research interested in relationship development tends to focus on either process or structural dimensions, we examine relationship development by interweaving both these dimensions. We apply Heideggers phenomenological lens to help understand how resources transform from “objects in use” as activated in structures to “subject of concern” when actors are confronted with breakdowns in their business relationships. Our study draws on a participant observation study lasting for eight months in a long-standing buyer-seller relationship as the parties attempted to develop a new joint activity in the commercial aviation industry. While in this case actors usually unreflectively appreciated resources as objects in use, we observed how resources gradually become a subject of concern once actors were confronted with mounting degrees of practice breakdowns. Our study revealed that there are three different actor responses to practice breakdowns: reinforcing, problematizing and adjusting, with each having distinct consequences for business relationship development: actors reinforce the value of resources as objects in use when confronted with minor breakdowns in their relationship. However, actors start problematizing resources as subject of concern when they fail to resolve the consequences of minor breakdowns. Adjusting occurs when actors are exposed to a total breakdown in their relationship because at such moments, actors uncover the features of resources that otherwise remain unnoticed. Nevertheless, we found that even though that the occurrence of practice breakdowns in a business relationship contributes to change, it is at the same time a critical process that brings a relationship in jeopardy especially when the parties have different experiences of the breakdown intensity. This presents a social paradox to actors. This study contributes to the literature concerned with business relationship development, and to some extent the literature dealing with technological development in networks and path dependencies.*

Keywords:

**Practice breakdowns, resources as objects-in-use and subject-of-concern, structure and process, relationship development**

## Introduction

This paper aims to help understanding of how business relationship develop from practice breakdowns that mediates the interchange between both structure and process dimensions. Structure deals with stability and depicts the network reality as it is while process concerns the deliberate efforts of actors to change that reality. Scholars have argued that both dimensions matter in relationship and network development, since without at least some

stability there would be chaos (Ellis and Mayer, 2001; Hakanson & Lundgren, 1979; Raesfeld, Geurts, Jansen, 2012).

The structural dimensions of network and relationship development have been particularly addressed by scholars pursuing the resource interaction approach (Baraldi, Gressetvold, & Harrison, 2012; Baraldi & Strömsten, 2008). This approach favors explaining network or relationship development in terms of various structural configurations of resources combinations and interfaces that have been developed over time (Håkansson & Waluszewski, 2002; Araujo, Dubois, & Gadde, 1999; Chou & Zolkiewski, 2011; Gadde, Hjelmgren, & Skarp, 2011). The resource interaction approach operates in a framework that focuses on resources as consisting of social, economic and technical dimensions, for instance embodied in products, production facilities, units (including the human actor), and business relationships that are connected by interfaces (Baraldi, Gressetvold, & Harrison, 2011; Baraldi & Strömsten, 2008).

In turn, process dimensions represent the ongoing interactions among actors, which disrupt, transform and reproduce prevailing structures (Nicholson, Lindgreen & Kitchen 2009). Process studies of relationship development typically address the subjective experience of humans in relation to both time and change (Halinen, Medlin, & Törnroos, 2012; Medlin, 2004) In addition, event-based approaches are effective in improving our understanding of how critical events influence the perceptions and behaviours of human actors and, in essence, shape relationship and network processes (Elo, Halinen, & Törnroos, 2010. Corsaro & Snehota, 2012; Tidström & Hagberg-Andersson, 2012). Others note that critical events can break the structure of a business relationship (Halinen, Salmi, & Havila, 1999).

Thus, process approaches mainly focus on the human experience of change and thereby take the changing cognitions of human actors as the central unit of analyses (see Abrahamsen, Henneberg, & Naudé, 2012). In turn, the resource interaction approach mainly focuses on the structural aspects of resource development and thus neglects how new resource combinations come into existence in the hands of human actors. Or, as Baraldi et al. (2011:274) puts it: *“focusing solely on the resource structure may leave out important aspects and attributes of resources that derive from how actors perceive and interpret resources”*. Yet because of the main focus on either structural or process dimensions, neither approach fully captures the dynamics of relationship and network development. Håkansson and Waluszewski (2002) present a way of looking at the interplay between the two dimensions. They use the term resources as *‘objects in use’* and resources as *“subject of concern”* to suggest two different realms (see Håkansson, Ford, Gadde, Snehota, & Waluszewski, 2009) to indicate

that there is a difference between structural and process/cognitive dimensions. Resources as objects in use are composed of activated actors bonds, activity links and resource ties. Changes in the activated structures imply interactions and physical interventions in established structures (Ford & Håkansson, 2006) and, as a result, create tensions and frictions (Håkansson & Waluszewski, 2002; Håkansson & Waluszewski, 2011). In contrast, resources as “subject of concern” are easier to change because they reside in the cognitive realms of actors and typically concern “*the pattern of different logic, includes knowledge of different technical possibilities as well as actors’ problems, goals and ambitions*” (Håkansson and Waluszewski, 2002:820). Following this approach, Abrahamsen, Naudé, and Henneberg (2011) demonstrated how networks develop as a result of the interplay between both by making an analytical distinction between actor’s ideas and network reality.

In this paper, we extend this idea of resources as objects in use and subjects of concern in the context of business relationship development to bring closer the relationship between structure and process dimensions. For the purpose of this paper, we consider resources as objects in use when actors unproblematically use them to pursue pre-defined relationship ends. In contrast, resources as subject of concern reflect the problems that actors encounter when resources do not work as expected and undermine the realization of business relationship goals. This happens especially if actors encounter some form of a critical event in their relationship, an occurrence that we label practice breakdowns for the remainder of this paper. The term practice breakdown is borrowed from the phenomenologist Heidegger (Heidegger, 1962) and followers of his line of thinking, such as Dreyfus (1991). For Heidegger, breakdowns in social practices mediate the relationship between the way actors relate to objects from the unreflective to the reflective. Heidegger holds that practice breakdowns disclose what would otherwise remain hidden. Because of his interest in how humans relate to objects, his approach can also be understood as socio-material (see also Chia & Holt, 2006; Sandberg & Tsoukas, 2011). In this paper, we study how resources transform from objects in use to subject of concern once actors are confronted with practice breakdowns. The research question that guides our effort is: how do practice breakdowns mediate the relationship between resources as ‘objects in use’ and ‘subject of concern’ and how does this contribute to business relationships development?

We present findings based on participatory-observation research (Czarniawska, 2004; Van Maanen, 1982) in a long-standing buyer-seller business relationship involving two leather tanneries, one located in the United States and the other in the Netherlands. Our involvement in studying this relationship lasted for eight months, which allowed us to take

advantage of ethnographic data collection techniques and enabled us to focus on the micro-processes of change and breakdowns as they occur in practice (Yanow & Tsoukas, 2008; Sandberg & Tsoukas, 2011; Lok & de Rond, 2012). Our research centered around the development of a new joint activity in the commercial aviation industry. For the purpose of this research, we investigated the moments when this otherwise unproblematic and effective relationship ran into difficulties at the start of the partners' new activity. We examined how actors struggled to bring the new activity to life and show how various degrees of breakdowns finally contributed to an adjustment of resources in actual structures. In analyzing the data, we identified three related actor responses that essentially contributed to relationship development: reinforcing, problematizing, and adjusting each dealing with different breakdown intensity. The insight that emerged from our study is that actors reinforce the value of resources as objects in use when confronted with minor breakdowns. If they fail to recover from a minor breakdown, actors start to problematize resources and encounter them as subjects of concern. Adjusting occurs when actors are exposed to a total breakdown in their relationship. It is during a total breakdown that actors become thematically aware of resources and are able to identify features of resources that would otherwise remain unnoticed. We also found that practice breakdowns are critical for relationship development yet, paradoxically, are necessary to make the required changes in resource structures.

This paper contributes to the literature concerned with business relationship development. Especially event-based perspectives may benefit from our research because we emphasizes how structural dimensions matter in relationship development without dismissing the role of critical events and changing perceptions. Second, we contribute to the resource interaction approach by showing how resource combinations come about through the interplay between resources as objects in use and subjects of concern, mediated by practice breakdowns. Third, our work also builds on previous work interested in adaptive interaction in business relationships and episodes of change, including scholarship interested in relationship endings.

The paper is structured as follows: we first introduce Heidegger's phenomenological lens and describe how we can think of resources as either objects in use or as subjects of concern in relation to various degrees of practice breakdowns. After that, we introduce the case setting followed by a description of the data collection and analysis techniques. Next, we present our findings and discuss our results. Finally, we draw our conclusions and propose directions for future research.

## Heideggerian Phenomenology

Phenomenology, in its original Husserlian form, is concerned with how a phenomenon appears to conscious awareness (Husserl & Moran, 2001), which is “*the way one’s mind is intentionally directed towards objects*” (Yanow & Tsoukas, 2009:1324). In contrast, a Heideggerian phenomenological account appreciates the embeddedness of cognition in everyday activities, and how this is mediated by tools (Yanow & Tsoukas, 2009). Consequently, Heidegger’s approach is useful because it brings resources, their values, and connections between resources to the fore that would otherwise remain hidden. Heidegger favours the use of a breakdown to make his point that mental content arises whenever a situation requires deliberate attention (Dreyfus, 1991). He notes that breakdowns occur whenever there is a confrontation between the goals that actors aim for and practical circumstances. Heidegger’s interests lies in how humans usually relate to objects and others in everyday practical situations and how breakdowns in such relationships change the way people experience themselves, others and the objects that surround them. This led Heidegger to suggest that bare perception can never be our principal access to the world, which was also his key argument against the traditional way of thinking (Dreyfus, 1991). Here, Heidegger was making his point against the Cartesian tradition, which holds that humans are subjects that know objects. For Heidegger, people do not usually encounter an object by identifying its properties and features; instead, people unreflectively appreciate objects in terms of their function and purpose; that is, in everyday use. Hence, people are considered first and foremost as doing-subjects who interact practically with objects, a state of being also termed absorbed coping or dwelling (Chia & Holt, 2006; Dreyfus, 1991). Heidegger favors using the example of a carpenter. A carpenter does not need to recite what he is doing, by which means, and for what reason, each time he hits a nail with his hammer. Normal life would be impossible if that would be the case. Therefore, absorbed coping implies that actors usually get along with objects and others and respond to situations in a spontaneous yet unreflective way (Dreyfus, 1991). Absorbed coping implies that resources are transparently available: they are *ready-at-hand* implying that they are means to achieve certain ends by manipulation; that is, “*the things at hand to get something done*” (Dreyfus, 1991:62). Resources as objects in use typically fall into this category because they are transparently available and used by actors to realize certain ends.

## Practice breakdowns

While for most of the time actors no longer take notice of their own presence in practice and the use of resources, they become consciously aware of themselves and resources whenever confronted with some form of a breakdown (Dreyfus, 1991). In a breakdown situation, resources are no longer considered as *ready-at-hand* but ‘show up’ as *present-at-hand* (Dreyfus, 1991). Depending on the degree of a breakdown, actors must somehow pay deliberate attention to the situation because of an experienced dysfunction. There are basically three kinds of breakdowns with each having distinct consequences for the way actors experience resources: malfunction, temporary breakdown, and a total breakdown (Dreyfus, 1991; Sandberg & Tsoukas, 2011; Yanow & Tsoukas, 2009). We discuss each of these below.

Malfunction: for a short period of time, actors become aware of resources when there is a minor breakdown in ongoing practice. This is also termed as “*reconstituted absorbed coping*” (Yanow and Tsoukas, 2009:1352). For instance, the carpenter cannot immediately find the hammer in its usual place. When a malfunction is encountered, actors momentarily experience resources as unavailable but yet expect to promptly resolve the problem by shifting attention to possible commonsense solutions. Therefore, a malfunction resembles an everyday experience of actors and is therefore considered as a modified form of absorbed coping because actors are motivated to continue what they were doing. Despite malfunction, resources are still considered as objects in use because they are only momentarily unavailable and are soon expected to be function al again as usual

Low temporary breakdown happens when the character of a malfunction is more persistent than a malfunction This implies actors become consciously aware of the unavailability of resources as they appear to be problematic to actors. As a consequence, resources are experienced as *present-at-hand* instead of *ready-at-hand* because actors must now pay deliberate attention to the task. Resources as *present-at-hand* may imply that they are missing; broken, or just obstruct ongoing practice. In any case, when resources are encountered as *present-at-hand*, they can no longer be transparently used as they have entered the awareness of actors. Therefore, resources convert into subject of concern since what were previously considered as transparent as objects in use now become explicitly manifest.

Nevertheless, a low temporal breakdown implies that actors remain concerned to get going again since “*our deliberate attention to what has become unavailable remains dependent on the practical activity in which the temporary breakdown has occurred*” (Sandberg & Tsoukas, 2011:344).

Persistent temporary breakdown: In this case, an actor becomes ever more thematically aware of the situation and must engage in reflective planning while still motivated to continue (Dreyfus 1991:72). At the same time, resources that are not broken, absent or obstructing will also be considered as unavailable because their significance in relation to the previously not functioning resource is also disturbed (Sandberg & Tsoukas, 2011). In other words, a persistent temporary breakdown cause resources previously unaffected to also be considered as a subject of concern.

Total breakdown: the relationship between actor and object is completely disrupted when reflective planning and action are no longer effective. When this happens, actors become detached from practice and engage in an analytical stance or helplessly stare at the situation. This stance implies that resources are increasingly deliberated as a subject of concern but now are encountered in an entirely theoretical way: they are examined in terms of context-less properties. Or as Dreyfus (1991:79) notes “*Once our work is permanently interrupted, we can either stare helplessly at the remaining objects or take the new detached theoretical stance toward things and try to explain their underlying causal properties*” In that case, actors identify the economic, technical, and social features of resources apart from their previous relationships to other resources. This implies that a total breakdown opens up an opportunity for actors to change by redefining features and provided the ability to assign causal relationship between resources of which actors were previously unaware. Or as Yanow & Tsoukas (2009:1353) put it. “*A new view may be obtained that was not previously available: patterns are noted, connections established, and mechanism postulated*”

In Table 1 we summarize the various types of breakdowns, type of actors’ experience and responses, and the way in which resources are encountered either as object in use or as subject of concern.

	<i>Ongoing practice</i>	<i>Malfunction</i>	<i>Temporary breakdown</i>		<i>Total breakdown</i>
			<i>Low</i>	<i>Persistent</i>	
<i>Type of cognitive experience and responses in situations</i>	Absorbed coping.  Unreflective appreciation of resources use to attain ends	Reconstituted absorbed coping.  Shift to a new way of absorbed coping	Deliberate coping.  Attention to the task in order to get going again	Involved deliberation.  Reflective planning in order to get going again	Thematic awareness.  Analytical/theoretical reflection De-contextualization, patterns are noted, new connections established.
<i>Resources encountered as</i>	Available	Momentarily unavailable	Unavailable	Unavailable also resources not affected	Occurrent, as isolated things
<b>Resources as objects in use</b>			<b>Resources as subject of concern</b>		

Table 4-1: type of experience, responses and the way resources are encountered as objects in use or as subject of concern (table is adapted from Yanow and Tsoukas (2009))

In summary, Heidegger’s phenomenological allows us to see how actors can experience resources either as objects in use or as subject of concern, depending on whether or not actors are exposed to breakdowns. We argue that especially in long-standing business relationships actors usually unreflectively appreciate resources as objects in use because they are already functionally utilized to realize exchange and relationship goals. Actors will not deliberate reflect on these resources as long the interaction between actors proceeds in a customary way. However, whenever there is a significant disturbance in a business relationship, resources and their relations to other resources are momentarily brought into view as unavailable and therefore encountered by actors as subjects of concern. Some examples are a failing production facility at the partner firm, incorrect product deliveries, sudden opportunistic or deviating behavior on the part of actors at the partner firm. If actors are able to jointly solve the problem, they soon will shift back to “business as usual” because absorbed coping is the primary mode of their existence in a business relationship. However, when the disturbance cannot be eliminated quickly, actors switch to reflective planning and action but are still motivated to continue. When reflective planning and action has no merit, actors become detached from practice, and encounter resources as subjects of concern in a totally analytical way. A total breakdown presupposes that actors single out the properties of resources and become specific about their technical, economic or social features independent

of their usual context. For instance, actors may point to the features of products in relation to the features of a production facility, or the capabilities of a human actor, which are otherwise tacitly taken for granted as objects in use.

The aim of the next section is to first describe the research setting and methods used followed by a narrative of how a long-standing business relationship develops through practice breakdowns. We describe how actors usually relate to resources as objects in use in their relationship and how various degrees of practice breakdowns transform resources into subjects of concern when the parties entered a new joint activity in the commercial aviation industry.

## **Research setting & Method**

We studied a business relationship between two family-owned leather tanneries. One is located in the United States (New York), with 130 employees with a good position in the private aviation industry. The other is located in the Netherlands, with 140 employees with a good position in the furniture industry as its primary home market. The relationship started in 1981 with a single activity, with the Dutch partner producing and delivering semi-manufactured leather hides (termed crust) to the US partner; it developed into a strategically important buyer-seller relationship. In September 2006, the partners decided to enter the commercial aviation industry together by marketing certified leather and repair services for aircraft seats. US Leather's production capacity was limited, so it was necessary for the Dutch partner to develop and produce the leather that could meet the quality standards set by the aviation industry. However, the Dutch partner was unfamiliar with the development and production of this kind of leather which has specific quality requirements particularly regarding fire performance that had to meet both the US Federal Aviation Regulations and Airbus standards. These requirements are totally different from those for furniture leather. Meeting these requirements demands special production methods, including special chemical treatments and extra milling time. The Dutch partner invested a 300,000 Euro in a new laboratory, equipment, and a milling drum. Both partners expected to have the first leather sample ready within two months. In this paper, we particularly highlight the problems that arose during the development of the leather needed to qualify in this industry and how this affected the relationship as a whole. To assure confidentiality, we have used pseudonyms for both companies: US Leather and Ned Leather.

Our research involvement lasted for eight months (June 2006 – February 2007) and draws on a participant-observation study (Czarniawska-Joerges, 1998; Czarniawska, 2004; Van Maanen, 1982). According to Czarniawska (2004:785), participant observation implies that “*the researcher assumes the role of an organizational member (or the other way around—an employee becomes a researcher)*”. This approach allowed us to theorize from the “logic of practice” (Czarniawska, 2009; Sandberg & Tsoukas, 2011) from having a privileged access position by looking at how actors experience their relationship and, more specifically, the resources in use to maintain their relationship from the perspectives of both parties. The first author was involved as the marketing manager for this new activity as well as a researcher interested in business relationship development. His presence in the business relationship started a few months before both partners engaged in the new activity and data were collected over a period of eight months. This brief introductory period allowed him to familiarize himself with this particular business relationship and socialize with colleagues in their daily routines in the leather production plant and offices, while leaving sufficient room for what Bruyn (1966) termed *detached involvement*. Throughout this period of eight months, data was collected at both companies by taking notes at several planned and ad-hoc meetings particularly organized around marketing and product development challenges. In addition, minutes of the meetings and e-mail exchanges between the partners related to product development efforts were studied. Furthermore, in-depth interviews were conducted with key actors involved as well as frequent and more informal exchanges with colleague and their counterparts. Additionally, data was collected from market actors to understand the context in which the new activity between the partners was about to develop. For that purpose, interviews were conducted with purchasing staff members of Lufthansa Technik (Hamburg, Germany) purchase members of Airbus and ATR (Toulouse, France). Furthermore, interviews were conducted at several European airlines, including Lufthansa, Malev, and LOT. Finally, two so-called cut-and-sew shops were visited to improve our understanding of leather processing for the use of aircraft seat covers.

We followed Miles & Huberman’s (1994) suggestions for data analysis. Furthermore, we draw on the ideas suggested by Sandberg and Tsoukas (2011) to explore practitioners’ responses to practice breakdowns and to understand how actors at both partner firms sustain and transform their relationship practice. Furthermore, we used Orlikowski’s (2007) suggestion for exploring socio-material relationships at work how by looking at how actors express their relationship to resources through the use of their language. We were especially sensitive to deviations in the way actors express their relation to resources, indicating that

resources emerge as subject of concern. In addition, we followed the suggestions of Cantu, Corsaro, and Snehota (2011) to adopt a methodological sensitivity to identify shifting meanings of actors about resources over time. Resources can be products, facilities, departments, business relationships and its units including the human actors involved that all carry social, technical, and economic features (Baraldi et al., 2011; Hakansson & Waluszewski, 2002; Håkansson & Waluszewski, 2002).

## **The case study**

In this section, we first describe the business relationship in a situation in which resources are most of the time considered available, and thus objects in use. We then proceed by dwelling on certain moments to illustrate how a sequence of minor and persistent breakdowns led to a total breakdown in which resources are considered as subject of concern and thus subject for change during the development of the new product intended to result from this relationship's new activity. We describe the case narrative in a chronological order.

### **Absorbed coping in a business relationship: resources as objects in use**

US Leather is a customer-oriented company focusing on the specific needs of customers who own or operate private jets. US Leather produces small quantities of leather hides to meet customers' specific requirements. US Leather collaborates with designers and network partners, such as cut-and-sew shops, to co-design and create aircraft leather interiors to the highest standards. In doing so, US Leather expects a flexible, pro-active attitude on the part of its workers. To assure flexibility, workers are mainly trained on-the-job to maximize the development of multiple skills. In general, the production of seat cover leather and also leather for interior parts involves tacit knowledge and requires many iterations and improvisations during production.

Ned Leather, on the other hand, is a medium-sized tannery that produces leather hides in large batches mainly for the European furniture industry. For most customers in the furniture industry, it is important that each delivery is of a uniform quality because they produce catalog-based furniture. In the leather industry, Ned Leather's production plant is

considered to be an excellent state-of-the-art tannery capable of processing finished leather from raw hides in an environmentally friendly manner. In contrast to US Leather, Ned Leather processes finished leather from its own raw hide processing which, coupled with economies of scale, puts them in a strong market position. Furthermore, Ned Leather relies on a centralized organizational structure and its workers are usually task specialists. Thanks to a large degree of standardization and clear procedures, Ned Leather is capable of producing high-quality leather efficiently, giving them a competitive advantage over most other leather tanneries.

The relationship between Ned Leather and US Leather is based on the delivery of crust (a semi-manufactured leather product that has undergone some level of dyeing) to US Leather, which they use for further processing into finished aviation leather for the private jet interior industry. Over time, the companies have developed a solid business relationship and both parties consider this relationship as strategically important. Thirty percent of US Leathers annual demand for crust is nowadays met by Ned Leather and the volumes are increasing because Ned Leather has proved to be a reliable partner, capable of delivering uniform quality, mostly on time, in the exact quantities, at acceptable prices.

There are two departments involved in the daily practice of this business relationship. Actors in Ned Leather's sales department are responsible for all the day-to-day communication with the actors in US Leather's purchase department. These actors ensure that operational matters are taken care of within both organizations. At the operational level, Ned Leather has a back-office employee who controls delivery schedules, shipping and invoicing. She communicates with US Leather's purchasing manager, sometimes by telephone but in most cases by e-mail because of the six-hour time difference between the partners. These actors normally rely on a one-day response time, which is considered acceptable for keeping processes running or dealing with problems as they occur. Price agreements are negotiated on a quarterly base between Ned Leather's commercial manager and US Leather's purchasing manager. Sometimes these actors negotiate prices during visits to the Netherlands or the US, but in most cases they are settled by telephone. Actors who are directly involved in the business relationship, but also some actors who support the relationship on the background, meet each other at least twice a year. These meetings are considered to be important because they ensure that a good atmosphere is maintained and the latest technological developments are discussed

However, sometimes the partners encounter difficulties in their business relationship. We asked key actors at each partner how they cope with problems and if they could mention

some examples of recent problems. Most of these problems can be related to delivery, quality or production issues. Such difficulties are part of the everyday business and are therefore classified as malfunctions as we described and defined earlier. Whenever such problems arise, actors usually know what to do and how to respond. Only occasionally are solutions not found. This is because leather is a natural product so quality and supply inevitably vary for a variety of reasons. Ned Leather's commercial manager expressed how the partners usually deal with such difficulties as they arise.

*“We cannot always avoid these quality problems, because they are caused by the irregular quality of the raw hide, which is a natural product, including seasonal influences. These effects only appear once the hides are produced and we cannot check all the hides microscopically. What matters is how soon we respond to US Leather when such problems arise.”*

In our analysis, we considered such difficulties as an instance of minor breakdowns and thus a form of a malfunction. When actors encounter minor breakdowns in their relationship, they experience resources as momentarily unavailable yet expect to resolve the problem by their reliance on commonsense solutions which tend to be based on past relationship experience. Despite the possibility of such minor breakdowns, it seems that the actors involved in this relationships are primarily absorbed in their relationship practice in which resources typically fall under the category of objects in use. How this manifests itself is reflected by few statements from actors at US Leather. US Leather's operational manager stated this during one of our earlier visits to the company:

*“Ned Leather is one of the most efficient and reliable leather suppliers we know of, and as far as I remember, they have never let us down”*

US Leather's production leader expressed the good atmosphere of the relationship as follows:

*“It feels sometimes like a family and there is much that we [US Leather & Ned Leather] have in common.”*

US Leather actors typically express the good atmosphere of their relationship by indicating how their relationship with Ned Leather functions well overall. In other words, actors on both

sites consider the relationship itself as an object in use serving their own strategic interests as well the possible future opportunities that arise from their relationship.

### **The start of the new activity**

In September 2006, both partners negotiated the start of a new activity in the commercial aviation industry. To do so, it was important for Ned Leather to first develop a product that could meet the aviation standards before taking significant orders from airlines and seat cover manufacturers.

Before placing the first trial order, actors from US Leather visited Ned Leather several times to satisfy themselves with the idea that Ned Leather had understood the methods and procedures for making aviation leather. During the first kick-off meeting, US Leather offered Ned Leather's actors from the product development department a handbook which documented the composition of the chemicals, production procedures and how to use the test equipment. After the meeting, actors from US Leather expected to evaluate the first trial order after eight weeks.

### **Developing problems: the emergence of a temporary breakdown**

After eight weeks, Ned Leather had to inform US Leather that the first trial order had not met the aviation standards. In response, US Leather expressed that they had not have expected this result because they believed they had discussed the recipe exhaustively during the kick-off meeting.

*“Did you follow the procedures in the handbook?”*, was the first reaction of US Leather's operation manager.

To try to remedy the situation, US Leather offered technical support and proposed to visit Ned Leather soon to analyze exactly what happened. Although Ned Leather did not immediately reject this request, actors were not really interested in what they regarded as US

Leathers' interference at this stage. As Ned Leather's Research and Development Manager stated:

*"We can do it ourselves, and one misfire does not say anything. We first have to find out what happened anyway"*

Despite this, US Leather sent a few technical people to Ned Leather with the aim of finding the root cause of the misfire. It was an uncomfortable conversation because actors from Ned Leather's production and R&D department were not open for any discussion and only provided an overview of the chemicals used and the procedures followed for producing the first sample. These actors expressed that they would rather take some more time internally to find out what exactly happened. For Ned Leather, this misfire had the character of a malfunction; that is, a minor breakdown which is considered acceptable during product development. Also Ned Leather's owner became aware of the misfire. He was particularly insisting on the importance of strictly following the company's product development procedures. Although primacy was given to the new activity with US Leather, these actors went on placing a second trial order based on an improved recipe without making use of the expertise and help offered by US Leather.

Shortly after the first misfire, we visited US Leather to discuss other relationship matters. During this visit, actors from US Leather expressed they were disappointed with Ned Leather's response in not making any use of their help. They emphasized the importance of the special skills and exacting procedures needed to produce seat covers. Although they accepted that failures can always occur, they were most worried about not knowing how Ned Leather intended to produce the second batch of trial samples. Furthermore, they were concerned about whether Ned Leather was committing sufficient resources in terms of time and effort in their new activity. As US Leather's operational manager remarked during our stay:

*"I noticed earlier that Ned Leather is quite efficiency-and profit-driven and does not take sufficient time to explore a problem and find solutions"*

The troubled atmosphere during our visit to US Leather indicated that they were anticipating a persistent breakdown since they could not see how Ned Leather could produce the second

batch of samples. This implied that actors at US leather started to see resources as subject of concern by already referring to the potential unavailability of Ned Leather's resources. More specifically, they were highlighting Ned Leather's production and R&D facilities and the capabilities of the actors involved in relation to the product, which they no longer expected to meet aviation standards. Furthermore, they were worried about Ned Leather's ignorance to accept their help which was very unusual in the history of their relationship. As a consequence, whereas Ned Leather considered the first misfire as only a minor breakdown, for US Leather this situation caused a persistent breakdown because they could not see how Ned Leather is going to handle the problems. A minor breakdown is a form of malfunction that typically motivates actors to resolve the problem as soon as possible aimed to reconstitute absorbed coping; that is, to get going again. Hence, for Ned Leather, resources remain considered as objects in use; that is, suitable for what they should do. US Leather, in turn, required more attention to be devoted to the task and reflective planning although it was still concerned to proceed with the relationship activity. However, the difference is that for US Leather, Ned Leather's production and R&D facilities, including the human actors involved, were already considered as subjects of concern. This imbalance of breakdown experience played an important role in the next phase of their new activity because Ned Leather then had to report that the second batch of samples did not meet the aviation standards.

### **A total breakdown in the business relationship**

After waiting for eight more weeks, Ned Leather had the uncomfortable experience of having report a second misfire to US Leather. While expecting this result, US Leather's key actors such as the operation and commercial manager and the business owner, responded that they were highly disappointed in Ned Leather's recent performance. They were considering momentarily suspending the new activity with Ned Leather. As US leather's commercial manager putted it:

*“If [Ned Leather] is not willing to listen to us or is not capable of producing aviation leather according to our and FAR [Federal Aviation Regulation] standards right now, then we have to do it ourselves for the coming period. We cannot risk our good reputation”*

Furthermore, US Leather's operation manager indicated that it has always been difficult to get in contact with Ned Leather's right people when they needed information. He remarks that:

*"Even if there are technical questions, I always have to communicate with the sales department"*

It seems that the second misfire triggered US Leather to treat their entire business relationship with Ned Leather as a subject of concern. Actors at US Leather were not able to see how to continue without discussing seriously what recently had gone wrong in their relationship. Ned Leather became aware of their alarming concerns which also led to their thematic awareness that their relationship had run into serious trouble. It followed that actors from both parties now were facing a total breakdown in their business relationship. At Ned Leather, management started to assign blame to their production facilities, chemical department, and to people responsible for product development and testing aviation leather. At Ned Leather internally, actors blamed each other for not having sufficient knowledge about the use of chemicals and production procedures to produce aviation leather. As a member of Ned Leather's R&D department remarked:

*"Nobody at [Ned leather] knows how the testing equipment works. In addition, the handbook does not explain much, so the best thing we could have done was to talk with our partners and asked them for help earlier"*

### **Adjusting: taking advantage of resources as subject of concern**

It was clear by now that both parties were thematically aware of the dysfunctions in their relationship. Actors on both sites felt that they had to find root causes and make effective arrangements in order to make the new activity work. For instance, a sales manager at Ned Leather expressed this feeling as follows:

*"We have to do everything now within our power to make this work. There is too much at stake. There are of course commercial interests but also relationship interest. After all, [US Leather] is our most important customer"*

In the following weeks, we observed how actors from Ned Leather started to approach US Leather to inform them openly and comprehensively about the difficulties they had encountered during product development, including the recipes used for the chemical treatment of the leather. Once the concerns had been openly discussed, actors at both parties scheduled a few one-site meetings in which they could discuss face-to-face the concerns about the relationship and possible solutions. Previously, US Leather had agreed to train two R&D staff members of Ned Leather in their production site to familiarize them with the production and testing of aviation leather. During the meetings at Ned Leather, technical staff from US Leather tried to carefully reconstruct the procedures followed in the production processes for the two misfires and also examined test reports. These visits were not restricted to going through the technical difficulties, but also to repairing the social bonds which were considered to have been seriously damaged over the previous eight weeks. Although, the actors at both sites still found their relationship as a subject of concern, they now were able to de-contextualize both technical and social resources, and to identify the features that had caused the recent difficulties in their relationship. In so doing, actors could discuss these features openly and see if and how these could change in order to advance their new activity. For instance, actors were discussing how their communication structure should improve to enable more open and direct communication. Furthermore, they discussed the exact amount of chemicals used for producing aviation leather, when they should be applied and at which stage of the production process. Having reached consensus, actors jointly re-wrote a procedure that intended to result in a third batch of samples that would meet aviation standards.

After eight more weeks, Ned Leather was pleased to report that the third sample trial had passed all the aviation tests and was now ready to take sufficient orders from airlines and seat cover manufacturers. In terms of communication, actors established a modified social structure in which responsible actors could freely communicate about relationship matters, a structure that was unfamiliar to Ned Leather. While getting used to this new structure and their newly acquired ability to produce aviation leather, the relationship could now proceed as previously, namely in a situation in which resources were considered as objects in use.

## Discussion

Our case highlights how resources transform from objects in use to subjects of concern through breakdowns that occurred in this business relationship. By taking the three levels of breakdown experience of both parties into account, our case illustrates how this relationship develops through two misfires in the product development process. Each party responded differently to the first misfire which led to an imbalance within the breakdown experience. For Ned Leather, it was only regarded as a minor breakdown which implied that resources remained considered as objects in use. In contrast, US Leather considered this event as a persistent breakdown and was anticipating the unavailability of resources. In other words, resources were already considered as subjects of concern as actors were demanding reflective planning and effective actions. We identified this imbalance as a critical moment because it led to further doubts about the new activity. This could perhaps have been avoided if Ned Leather had been more receptive to US Leather's offered help after the first misfire. Nevertheless, the total breakdown that occurred after the second misfire led to a turning point in their relationship. Both parties considered their entire business relationship as a subject of concern as actors were thematically aware of those resources that constrained their new activity. However, although the relationship was pushed into this total breakdown situation, actors could now engage in reflectively working on those resources and identifying the social and technical features that had caused the difficulties. These resources include: production and testing facilities, the chemical department, including its responsible human actors, as well as the communication structure that was a subject of change.

Ironically, it seems that this total breakdown was apparently necessary to make the essential adjustments to these resources which otherwise might not have taken place if Ned Leather had accepted US Leather's offer of help earlier. This observation leads to a paradox because since business actors are usually oriented to avoiding breakdowns and thereby maintain resources as objects in use, this also limits their ability to (1) reflect on resources and; (2) identify their social, economic, and technical features in new ways in order to discover promising new or modified resource combinations.

We identified three analytically distinct actor responses which are of importance for business relationship development and the relation between resources as objects in use and as subjects

of concern: reinforcing, problematizing, and adjusting. When actors are exposed to minor breakdowns such as malfunctions, they reinforce the effective functioning of existing resources in relation to other resources, and thus as objects in use. As a result, actors close off the option to change resources and strive resume habitual activity because there is no immediate need to do so. When a situation persists in the form a persistent breakdown, actors start to problematize resources as subjects of concern and require reflective planning and action because they anticipate future difficulties. However, if no additional action take place, then a total breakdowns occurs which implies that actors are thematically aware of resources and the features that cause the problems. In that case, actors regard resources entirely as subjects of concern, and are able to identify technical, social, and economic features of the resources which then can be re-negotiated and changed as necessary.

Our study has shown how structure and process are both constitutive parts of relationship development. Structure is embodied in the way actors use and exploit resources as objects in use without any intention to change them. Process dimensions are presented in the change efforts that actors pursue once resources are considered as subjects of concern. Our research shows how this can be understood as a cyclical process, which is not only restricted to the phases of actor's responses that we just have described. The order of responses that we found may typically apply in the context of long-standing business relationships in which resources have been considered as objects in use for quite some time. This might be different in new business relationship settings or in typical innovation environments. In such contexts, actors may be particularly exposed to resources as subjects of concern since it is not clear how they could be effectively related to other resources. Scholars have argued that conflicts in such contexts contribute to relationship development, suggesting that is good to start with conflicts to help achieve project results (Vaaland, 2004). Our research sheds light on how that can be the case since conflicts usually relate to various levels of breakdowns. After all, all interaction is ultimately concerned with the physical world (Ford and Håkansson, 2006). This is to say, interaction always concerns 'something' or 'somebody', giving rise to the idea that they have entered actors' consciousness as subjects of concern derived from an earlier unreflective appreciation of resources as objects in use.

Furthermore, our study also shows how actors derive the value of resources from the way they are combined with other resources over time, and this is to some extent path-dependent (Håkansson & Waluszewski, 2002). Furthermore, from a path-dependent perspective, it is even possible to understand how it is that actors maintain differing views on the value of the relationship, pointing to the dual-faced nature of resources (Håkansson et al.,

2009; Corsaro & Snehota, 2010 Cantù, Corsaro, & Snehota, 2012). Yet path dependencies do not only exist as a result of the conscious efforts of actors with an economic interest in maintaining paths or those actors who simply like to challenge the status quo (Håkansson & Waluszewski, 2002). Our study shows how path dependencies are maintained just because actors are not aware of all the features of resources as long they are considered as objects in use. This implies that change is difficult because it is not considered necessary as long resources do what they are intended to do. This limits the ability for business relationships and networks to develop. Our study also extends the notion of the term ‘friction’ in technological development. According to Håkansson and Waluszewski (2011: 171) “*friction can act both as a stabilizer and a de-stabilizer of existing resource interfaces*”. Frictions, considered as instances of breakdowns, may inform further theory development to help understand how resource interfaces fit together from the perspectives and interactions of human actors who deal with resources either as objects in use or as subjects of concern. More broadly, our study contributes to the resources interaction approach by showing how human agency is shaped by breakdowns in resource structures, including actions of human actors to alter such structures. In this regard, we argue that is not necessary to treat resources in activated structures as objects in use and the idea structures of actors as subjects of concern as two different realms (see Abrahamsen et al., 2011). Moreover, we show how relationships develop from the position that actors are engaged with resources as both objects in use and subject of concern depending on the specific situation. This also implies that we can avoid any ontological conflation between network reality including actor bonds, resources ties and activity links expressed in objective terms and the cognitions of actors about such reality treated as subjective. (see also Welch and Wilkinson, 2002).

We contribute to the literature concerned with business relationship development from an event-based perspective (Corsaro & Snehota, 2012; Elo et al., 2010; Tidström & Hagberg-Andersson, 2012). As we have argued earlier in this paper, event-based approaches assume the existence of resources, but their role in relation to change remains underexamined. Rather, its focus is on changing perceptions of actors about change. As Cantù, Corsaro, and Snehota (2011) showed, both resource and actor dimensions are intimately related in business relationship development. Therefore, our study enables event-based researchers to include structural dimensions by examining how actors relate to resources and how this leads to elaborated cognitions once a relationship encounters some form of breakdown.

Of course, not all relationship develops through breakdowns in the way we have described. So it is possible that actors will pursue new relationship goals and perhaps are able

to implement the necessary changes to attain such goals in their relationship structure without the need for any breakdown at all. The point that we wish to make is that change requires actors to be deliberately aware of the resources available, including their features that help realize relationship goals before engaging in new activities. This implies that any change would require actors to be consciously aware of the resources that form a part of the new activity. We challenge the ability of human actors to be consciously aware of these features, especially when relationship interaction proceeds in a customary way. In other words, there is much that remains unnoticed in relationship development. In this respect, Heidegger would only have claimed that it is through the everyday use of resources as objects in use that actors can become aware of resources as subjects of concern and not the other way around. This is to say, any change in a business relationship can only be understood if one has a full understanding of how a relationship was previously structured, including identifying the causes that made actors change the nature of their relationship. In other words, in any given business relationship what may look deliberate and purposeful may have been preceded by some form of a breakdown that happened earlier in time.

## **Conclusion and future research**

The objective of this study was to understand how business relationships develop through breakdowns, with a particular focus on the relationship between resources as objects in use and subjects of concern. We asked: how do practice breakdowns mediate the relationship between resources as ‘objects in use’ and ‘subject of concern’ and how does this contribute to business relationship development? Heidegger’s phenomenological lens was helpful in understanding this relationship and how changes come about through the experiences and actions of human actors. In so doing, we included both structural and process dimensions in understanding business relationship development, which was previously mainly presented in terms of two different ontologies. Our study was conducted in a long-standing business relationship. We have proposed that the three related actor responses to breakdowns are characteristic for long-standing business relationships since in such contexts resources are taken to be objects in use. Despite the need for a further theory improvement in the context of long-standing relationship development, future research may also focus on how intensities of breakdown experience apply to other business settings. For instance, we have mentioned new relationships or network arrangements in a highly innovative context. In such contexts, actors typically deal with the mobilization of resources and identifying the future value of resource

(see Finch, Wagner, & Hynes, 2011; Gadde, Hjelmgren, & Skarp, 2011). In such innovative and uncertain contexts, resources are subject of concern by definition as long they are not unproblematically utilized in resource structures. Here, breakdowns are likely to prevail in the pursuit of developing emergent resource structures and form the opportunity to actors to negotiate the features of new resources in relation to the features of existing resources. Furthermore, our framework may be used by scholars with an interest in the processes underlying business relationships ending (Halinen & Tähtinen, 2002). As our study indicates, breakdowns are conflict laden and may lead to relationship termination especially in a situation when an imbalance in breakdown experience continues to exist or when actors can no longer see how to adjust resources once they enter a total breakdown. Further research should also take into consideration the notion of time. For instance, Halinen and Törnroos (1995) and Medlin (2004) argue that actors cognitively elaborate on time while interacting by making sense of the past, present, and future of their relationship. Although we have studied how a business relationship develops over time, we did not take into account precisely how actors experienced the past, present, and future in the moments that they encounter a breakdown in their relationship. Therefore, a time perspective on relationship development would surely advance theory development. Although we have benefited from a participant-observation study, it does remain a single case study, which constrains its generalizability (Yin, 2009). Therefore we must consider our research as explorative. Nevertheless, case studies do provide a valuable means for developing theory by utilizing in-depth insights gained from empirical phenomena (Dubois & Gadde, 2002). Therefore we believe that we have offered a good starting point for further research by considering breakdowns as a change-driven process that includes both structure and process dimensions.

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