NTNU – Trondheim
Norwegian University of
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# Initiation of International Business Relationships

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Industrial Economics and Technology Management
Submission date: February 2013
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NTNU
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# MASTERKONTRAKT
## - uttak av masteroppgave

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| Institutt<br>**Institutt for industriell økonomi og teknologiledelse** | |
| Studieprogram<br>**Industriell økonomi og teknologiledelse** | Hovedprofil<br>**Strategi og internasjonal forretningsutvikling** |

### 3. Masteroppgave

| Oppstartsdato<br>**12. sep 2012** | Innleveringsfrist<br>**05. feb 2013** |
|---|---|
| Oppgavens (foreløpige) tittel<br>**Initiation of international business relationships** | |
| Oppgavetekst/Problembeskrivelse<br>The purpose of this master thesis is to study how companies can initiate international business relationships.<br><br>The study will comprise the following main parts:<br><br>1. A review of theories on initiation of business relationships, with particular emphasis on international business relationships<br>2. An empirical study of how international business relationships are initiated<br>3. An analysis of the empirical study in light of the reviewed theory<br>4. Conclusions and implications | |
| Hovedveileder ved institutt<br>**Førsteamanuensis Elsebeth Holmen** | Medveileder(e) ved institutt |
| Merknader<br>**1 uke ekstra p.g.a jul.** | |

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Partene er gjort kjent med avtalens vilkår, samt kapitlene i studiehåndboken om generelle regler og aktuell studieplan for masterstudiet.

Trondheim 11.09.2012

**Sted og dato**

Karin F. Østeren

**Student**

**Hovedveileder**

Originalen lagres i NTNUs elektroniske arkiv. Kopi av avtalen sendes til instituttet og studenten.

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Fastsatt av Rektor 20.01.2012

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| sted, dato | veileder ved NTNU |
| 6/11 -12 | |
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| Bedrift/ekstern virksomhet: Powel AS |
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Trondheim 26/10 Klaus Livik

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stempel og signatur

# Initiation of International Business Relationships

“Remember, you see in any situation what you expect to see”

- David Joseph Schwartz

(1927-1987)

# Preface

This master thesis is written as the concluding part of my M.Sc. degree in Industrial Economics and Technology Management at the Norwegian University of Science and Technology (NTNU) in Trondheim, Norway. The thesis is written for the specialization track Strategy and International Business Development, conducted in the period September 2012 to February 2013. The thesis further examines some of the topics touched upon in my literature review-based pre-project "Success factors in the initiation of international business relationships", finished December 2011. Based on qualitative research, this thesis investigates initiations of international business relationships, and in particular how third actors influence in this process. It has been a pleasure studying this topic, especially since the shift in the global environment makes this study highly relevant. I hope this thesis reflects my interest in the subject, and that the reader will get useful insight into a topic that until now has been relatively unexplored in the academia.


### *Acknowledgements*

I would like to thank several people for what has been a challenging and exciting work. First, I would like to thank my academic supervisor Elsebeth Holmen for your support and guidance during the course of the research, for being a constructive discussion partner, motivating me to grab, rather than ignore, the loose ends. Second, I would like to thank my other academic supervisor, Lise Aaboen, for your always constructive criticism and professional guidance until the end result. I highly appreciate the efforts of you both for supporting me throughout the process. Third, I would like to thank Powel for providing me with a real-life business case, and in particular Klaus Livik and Per-Christian Gomnæs for giving me the opportunity to travel across half the world, providing me with the connections needed for this study. A thank is also addressed to Bård Benum, Arnt Sollie, and Lars-Thore Aarrestad in Powel, for your interest in my study and for your constructive questions. Finally, I would also thank Norconsult Andina for what has been a wonderful and meaningful stay in Chile. Especially I would like to thank Øyvind Engelstad for including me in your working environment, and Germán Pérez, for putting me in contact with the right persons needed for this study.


Trondheim, February 2013

Karin Fosse Østensen

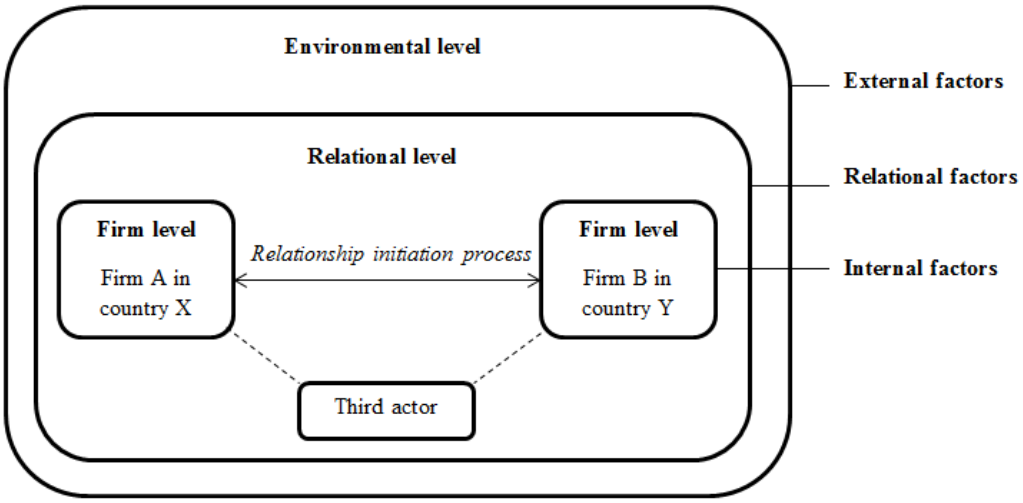
## Executive summary

Establishing new, international business relationships is a highly relevant and critical issue for many firms that want to go abroad, as international business relationships are a rapidly growing attested by the increased importance of conducting business across national borders. However, the risk for failing in initiating new, international business relationships is significant; giving the rise for a need to increase the knowledge about such processes and those circumstances that may affect it along the way. Despite the addressed need, the literature on the area of international business relationship initiation processes has been recognized as scarce. Thus the purpose of this study is therefore to enrich the research area with an increased understanding of the phenomenon of international business relationship initiation processes.

The purpose is achieved by combining empirical findings with theories from the disciplines of internationalization, business relationships, and networking. Relationships are bridges to new markets, and thus initiations of international business relationships may be regarded as the internationalization process of a firm. Third actors are a part of the dyad's network, and by merging its networking effect on the dyad, new theory is new theory is developed concerning initiations of international business relationships and third actors' influence on these.

The empirical findings are deducted from a case study of the relationship initiation process between the software supplier Powel and the engineer consultancy firm Norconsult Andina in Chile. Through the case study, the study will i) provide a description of the characteristics of the international business relationship initiation process, ii) explain how third actors may influence this process, and iii) identify how the difference in the third actors' nationality influence the relationship initiation process.

The choice of using a case study design reflects upon the complexity of business relationships, whose initiation is extensively subjected to dynamism. Drawing on the strengths of such a research design, the study employs multiple source of evidence by collecting data from participating-observations, direct observations, semi-structured interviews, and documentation. Based on the findings of the study, it is suggested that those factors regarded as influential for the process can be divided into internal, relational, and external factors, respectively extracted from the firm, the relational, and the environmental level of the business relationship to be initiated.




Third actors are suggested to belong to the relational factor category, and can take the forms as persons, organizations, artifacts and piece of work, solely or multiple. Together with the internal and external factors, they have a relative influence on the relationship initiation process, upon which sum decides the outcome; whether the process decreases or increases its closeness to a business agreement, linger for a period of time, or even stop. The study suggests that the relationship initiation process is even more dynamic than previously found in the literature, which is further emphasized by seeing the process from the perspective of both parts of the dyad: The process patterns may differ, however, they do converge as the closeness to the business agreement decreases, which is reached simultaneously in time.

Further, vertically linked third actors are found to be particularly influential for the process, especially if they are linked to both of the companies of the dyad. Concerning their international dimension, they can be seen in terms of not only their nationality, but also their international experience and country of presence. Indeed, the two latter dimensions appear to be most important in terms of reaching the business agreement, implying that managers should focus their efforts on those customer companies that are common for the two firms, have international experience, and have local presence in the country where the future business is supposed to take place.

Based upon the findings of the study, the thesis contributes to the theory by suggesting a new conceptual model on international business relationship initiation processes. However, as this thesis is merely based on a single case study, the new model should be tested in future studies by the use of a higher number of cases across industries and national borders.

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# 1. Introduction

## 1.1 Background and motivation

*Powel is a Norwegian company delivering software solutions for energy companies and municipalities. Powel was established in 1996 in a small city in the middle of Norway as a spin off from an academic research foundation settled in the same city. Almost immediately, Powel entered the neighbor countries Sweden and Denmark, and they also made some deliveries to Iceland and the Faroe islands. In 2000, they tried to pursue business opportunities in Spain, but found out that their product did not fit the Spanish market, and did not continue their activities there. In parallel, they established offices in Minneapolis, US, but their products did not fit well into the market, so they bought a consultancy company trying to resell their products for them. However, sales did not go as expected, they suffered losses, and saw it necessary to exit the American market. Nevertheless, at the same time, a Norwegian business man contacted them, asking Powel to establish a partnership with a company from the Czech Republic, that would resell their products with some additional technology and services. Together they reached several customers, and the business relationship is still running well today.*

*After these attempts at internationalization, some more successful than others, Powel's international activities was focused to Scandinavia, and no investments outside these borders were made in a period of nine years. But then, in 2009, Powel was invited to join a pilot project in Chile together with their main Norwegian customer. As the project progressed, Powel found out that they could not fulfill the customer's need for customized and quick expertise due to the geographical distance and the accordingly difference in time zones. Additionally, they spoke two different languages. Thus, Powel decided to search for a local partner. An employee in Powel shared the same work experience as the CEO in an engineer consultancy firm in Chile, so the process went off quite easily, and just a few months later they had a contract established. Nevertheless, due to large technical problems, the installation at the local customer has constantly been postponed, and no new sales have yet been made in the Chilean market.*

## 1.2 Purpose of the study

The story above illustrates a common phenomenon in business; initiating international business relationships is not easy. As a matter of fact, starting business relationships offers little guarantee of success, as business relationships are victims to high failure (Schuler, Jackson, Dowling, Welch, & Cieri, 1991; Styles & Hersch, 2004; Taylor, 2005). Moreover, the relationship initiation process seems to jump back and forth in an unpredictable manner, some more than others, and some never even reach to a business agreement. What is more, the process of starting new business relationships may take longer time and acquire more resources than the firm initially was aware of. Thus, in order to overcome the addressed issues, it becomes important for business managers to increase their knowledge about the phenomenon of international business relationship initiations, and in particular about what factors or circumstances that may be determent for whether such an agreement is reached. What determine this, and what exists between a supposed start and a business agreement? What and who influence this process and what can business managers do in order to increase the likelihood for reaching a business agreement? Asking these rhetoric questions leads to the purpose of this thesis.

Inspired by the story's unveiling challenge of reaching business agreements in other countries than the home market, the purpose of this study is to *investigate the phenomenon of international business relationship initiations*. Thus, the phenomenon to be studied is the process towards a business agreement is eventually reached between a company A in one country, and a company B in another country. In this context, and in order to investigate the addressed phenomenon, these companies are Powel in Norway and Norconsult Andina in Chile. Consequently, the unit of analysis is the relationship initiation process between a firm A in country X and a firm B in country Y, as illustrated in Figure 1 below.

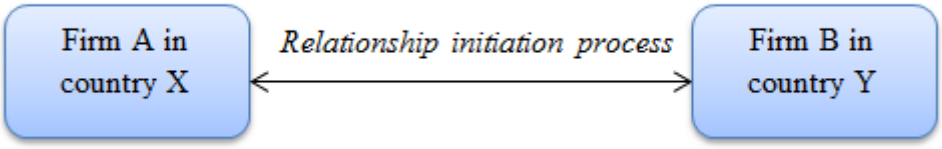



Figure 1: Unit of analysis

Despite the increased global competition and the need to establish new international business relationship, perhaps surprisingly, only little attention has been paid to relationship initiations academically, especially through empirical studies (Edvardsson, Holmlund, & Strandvik,

2008; Holmen et al., 2005; Kallevåg, Holmen, & Pedersen, 2006). Moreover, even less attention has been paid to *international* business relationship initiations in particular (Østensen, 2011), and what is more, the literature on factors influential in this process is scarce (Aarikka-Stenroos, 2011; Østensen, 2011).

Thus, by taking the focal business relationship as the main unit of analysis, new insights can be provided regarding the phenomenon itself, as well as insight on the circumstances that influence such a process. As such, the findings of the study will principally be a theoretical contribution to the research area of business relationship initiations. However, the insight will also help business managers in terms of increasing their knowledge of international business relationship initiations and perhaps facilitate in a better management of these.

## 1.3 Structure of the thesis

In order to investigate the phenomenon of international business relationship initiations, the following chapter presents academic contribution to the understanding of the phenomenon in the research disciplines of internationalization, business relationships, and networking. Combining the contributions leads to the establishment of the conceptual framework, and specific research questions are outlined in order to achieve the purpose stated. In Chapter 3, the methodology and the research design chosen to investigate the phenomenon is presented, along with an evaluation of how the study has been performed. Subsequently, Chapter 4 provides a description of the empirical data, which constitutes the basis of the analysis to be performed in the subsequent chapter. Here, the empirical findings are analyzed upon the conceptual framework, and the empirical main findings of doing such are presented. Based on these findings, Chapter 6 provides a discussion upon the stated research questions, outlining the study's contributions to the research fields by proposing a new, conceptual model. The conclusions upon the stated research questions as well as the theoretical contributions are shortly presented in Chapter 7. The two final chapters suggest managerial implications from the study as well as and suggestions for further research avenues, originated from the limitations of the study. The structure is illustrated in Figure 2 below.

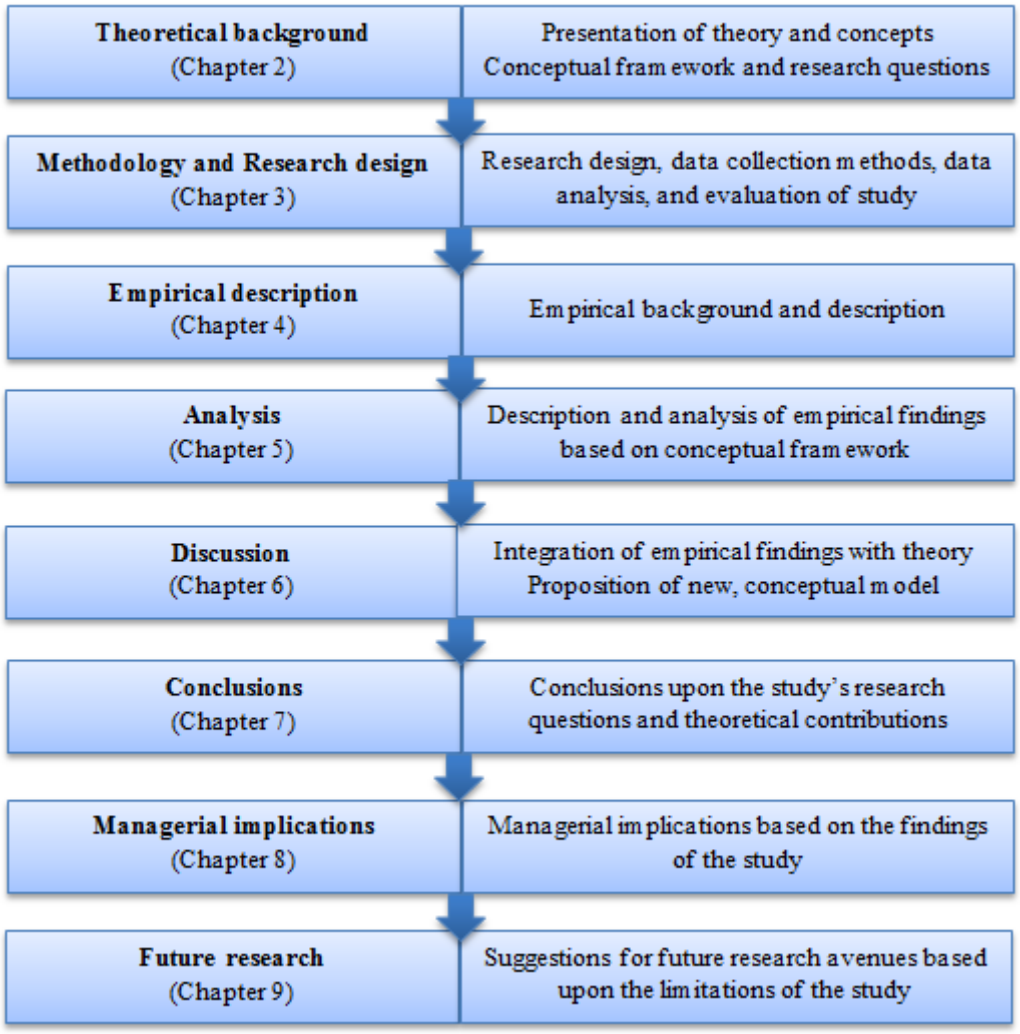



Figure 2: Structure of the thesis

# 2. Theoretical background

In order to reach to the conceptual framework for analyzing the empirical findings, this chapter aims to academically clarify central concepts as well as presenting existing theory on the topic to be studied. The chapter starts broadly by introducing concepts linked to internationalization processes of a firm business. Afterwards, the understanding of business relationship and its content is presented, before going deeper into the particular focus on business relationship initiations. In order to look at the influence third actors in the network have on the relationship initiation process, central network concepts are explained. Finally, and based on the presented theoretical background, the conceptual framework is proposed along with the particular research questions of this study.

## 2.1 Internationalization process models

According to Cavusgil et al. (2008) international business is a performance of trade and investment activities by firms across borders. Doing international business implies dealing with international relationships, and many academic authors see the process of establishing and maintaining international business relationships as the internationalization process of the firm (Andersen & Buvik, 2002; D. Crick & M. D. Jones, 2000; Ellis, 2000; Jan Johanson & Vahlne, 1977; Johansson & Vahlne, 2003). The internationalization process of a firm can be understood as the process in which firms increase their international involvement.

Most of the research done regarding the internationalization process of a firm can mainly be divided into two streams of thought; (1) as happening in gradual stages, pioneered by the Uppsala-model (Bilkey & Tesar, 1977; Jan Johanson & Vahlne, 1977); or (2) through the use of the firm's network, labeled as the "network approach" (Ellis, 2000; J. Johanson & Mattson, 1985). The two models will be presented in the subsequent sections.

### 2.1.1 The Uppsala model

Starting with the traditional internationalization model, the Uppsala-model was developed by Johanson and Vahlne (1977), observing that companies in Sweden began their activities in the domestic market before they went abroad through exporting. Because firms lack experimental knowledge and resources, and because they want to avoid uncertainty, firms are assumed to build a stable, domestic position before starting activities in other countries. Only when they have learned and experienced sufficiently in the home market, they are ready to expand to other markets, starting in those markets physically closest to themselves. Market experience has to be acquired through a long learning process in connection to current activities, and

according to Johanson and Vahlne (1977), that is why the internationalization process often proceeds slowly.

Generally speaking, the Uppsala-model is a dynamic stage model stating that firms *gradually* and *incrementally* increase their international involvement driven by the interplay between market commitment and market knowledge. Either by experiencing oneself or by other means of gaining knowledge of the specialties of the particular foreign market, firms gradually enters new markets with greater physical distance. The outcome of one decision constitutes the input for the next decision. Thus, current business activities are the prime source of experimental knowledge for the firm, and decisions to commit further resources to specific foreign operation will be taken if experiential market knowledge increases. (Jan Johanson & Vahlne, 1977)

In terms of business relationship initiations, then, the Uppsala-model implies that firms initiate national business relationships before they initiate international business relationships. Further, Johanson and Vahlne (1977) believe that the lack of knowledge due to differences between countries, like language and culture, is an important obstacle to decision making connected with the development of international operations. They claim that the best way to quickly obtain market experience is to hire a sales manager or a salesman of a representative, or to buy the other firm. (Johanson & Vahlne, 1977)

### 2.1.2 The network approach

Emphasizing relationships rather than discrete transactions, the network approach stresses the internationalization as initially beginning with the company being engaged in a network. Relationships are bridges to new markets, and the firm internationalizes by using its network. According to the authors, international opportunities and threats rise from current activities in the network, but they also point out the need for having a good network as a prerequisite for growing internationally. According to Håkansson et al. (1982) the major part of exchanges in the industrial market takes place within business relationships, which motivates regarding the market as a network of relationship. Thus, the internationalization of a firm becomes a process of launching and developing international relationships. (Andersen & Buvik, 2002; D. Crick & M. V. Jones, 2000; Ellis, 2000; Håkansson, 1982)

While the Uppsala-model is useful for classifying firms according to their degree of internationalization, authors have claimed that neither model can be used to explain and

predict the movement of the firm from one stage of development to the next. Therefore, focusing on relationship specific investments rather than transaction specific investments, the network-model marketing channels should be understood from the point of view of the actors that are tied together, stressing the necessity of collaboration, trust, and mutual dependence. (Ellis, 2000)

Further, according to Ellis (2000), knowledge of foreign market opportunities is commonly acquired via existing interpersonal links rather than collected systematically via market research. He criticizes the normative literature largely found within the marketing discipline for seeing foreign market entry decisions as a rational response to conditions in the market, made on the basis of objective information gathered systematically via market research. As the search for international exchange partners is characterized by high uncertainty and complexity, and as the search costs are high, Ellis (2000) argues that decision-makers tend to follow the line of least resistance abroad by capitalizing on their existing connections with others. Thus, decision-makers place more reliance on their social networks as a means of economizing on these high search costs (Ellis, 2000). In sum, when having a network view on the market, the important question is not *where* a firm makes business, but with *whom* (Andersen & Buvik, 2002; Johansson & Vahlne, 2003).

## 2.2 What is a business relationship?

Aiming to clarify the understanding and concept of business relationships, the various collaborative arrangements a business relationship can take, as well as an elaboration of its content, will be presented in this section.

### 2.2.1 Various collaborative arrangements of business relationships

There is no consensus about what a business relationship is, and the literature reveals that relationships may come in many different forms (Østensen, 2011). The forms range from "strict" forms, such as joint ventures, strategic alliances, and partnerships, to softer forms, such as buyer-supplier relationships or business relationships in general. Some of these forms are described shortly:

Taking the form as a *joint venture*, the business relationship reflects a form of an agreement between two firms to pursue opportunities in a joint venture, and can be defined as *"..the incorporation of a new company in which two or more partners hold an equity stake"* (Glaister & Buckley, 1999). A *strategic alliance* is another form of business relationship,

embracing a common agreement on that the firms are creating value together. A strategic alliance can be defined as *"..an agreement between two or more partners to share knowledge or resources, which could be beneficial to all parties involved"* (Trott, 2011). The concept of *partnership* is yet another interpretation used when talking about cooperation between two companies, revealing some kind of interdependence between the firms. It can be defined as *"..purposive strategic relationships between independent firms who share compatible goals, strive for mutual benefit, and acknowledge a high level of mutual interdependence"*(Mohr & Spekman, 1994).

Another concept used for capturing the collaborative arrangement is that of *buyer-supplier relationship*, where one firm is the supplier or seller, whilst the other firm is the buyer or the customer. The arrangement can be defined as *"Companies in different industries with different but complementary skills link their capabilities to create value for ultimate users. Commitment in those relationships tend to be high, the partners tend to develop joint activities in many functions, operations often overlap, and the relationship thus creates substantial change within each partner's organization"* (Kanter, 1994).

### 2.2.2 A business relationship - more than just the deal

As illustrated, business relationships may take various collaborative arrangements. Some arrangements are formalized and bound by contracts, whilst others are more informal. Another difference is that some arrangements are more focused on achieving a particular and specified purpose, whilst others are more focused on joint exploration of opportunities. Regardless of the type or form of the relationship, a business relationship is, as Kanter (1994, p. 98) claim, *"more than just the deal"*. They are all connections between otherwise independent organizations, they contain the potential for additional collaboration, and there is a mutual agreement to continue to get together (Kanter, 1994). A business relationship may therefore be represented by different forms, however, there is a similarity between the various collaborative arrangements, even though this is not precisely defined in the literature; there is *jointness* and *collaboration* between the business counterparts.

As a framework for understanding the content of the business relationship, *the interaction approach* was developed by Håkansson on behalf of the IMP Project Group, designed for relationships between selling and buying firms in industrial markets. According to the authors, business relationships are between firms, however, they are conducted by individuals.

Thus, social and psychological factors have an important effect on the relationship. (Håkansson, 1982)

In examining the interaction between the buying and the selling firm, it is stated that either of the two parties may take the more active part in the transaction. Further, the interaction between them is described and influenced by the four following variables: (1) *The parties involved*, constituting both organizations and individuals; (2) *the elements and the process of interaction*, which includes relationships and episodes; (3) *the environment* within which the interaction takes place; and (4) *the atmosphere* affecting and affected by the interactions. (Håkansson, 1982)

The variables conducted in the interaction model are illustrated in Figure 3 below.

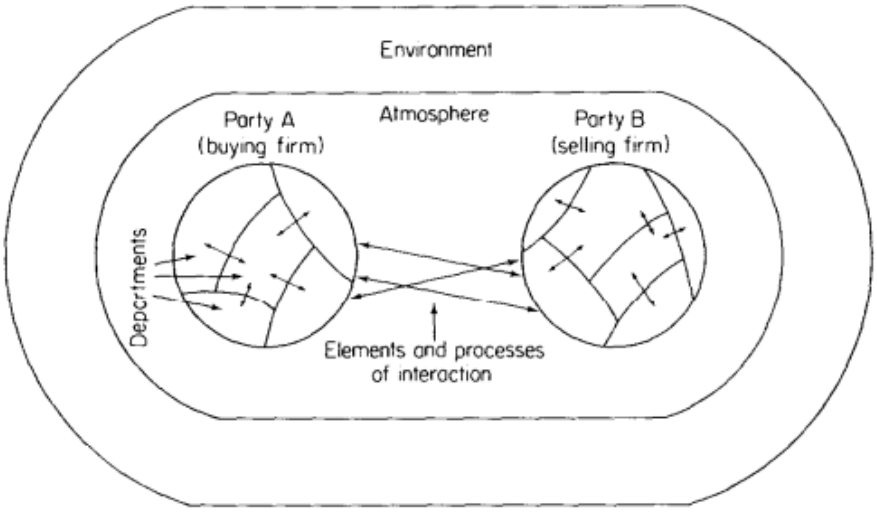



Figure 3: Main elements of the interaction model (Håkansson, 1982)

Even though the interaction approach is based on the assumption that the business relationship is frequently long term, they constitute a series of episodes, for example the placing or delivering of a particular order (Håkansson, 1982). Thus, the relationship develops over time as a chain of interaction episodes, that is, a sequence of acts and counteracts implying that the relationship has a history and a future (Håkansson & Snehota, 1995). As a matter of fact, a business relationship may start even before the actual parties start to conduct business exchange, by operating in the same industry, being dependent on the same technologies, or sharing "common history" (Ford & Redwood, 2005).

Moreover, the business relationship can be understood as connecting various internal *activities* and *resources* of the two parties, as well as *bonds* between the actors in the two

respective companies. By seeing the relationship as a result of an interaction process where connections have been developed between two parties, producing a mutual orientation and commitment, Håkansson and Snehota (1995, p.25) define business relationship as "*a mutually oriented interaction between two reciprocally committed parties"*. (Håkansson and Snehota, 1995)

Inspired by this thought of seeing the business relationship as more than just the deal; as a mutually oriented interaction between two companies, which is constituted by episodes, the thesis will utilize the abovementioned understanding of business relationship. This opens up for the business relationship to take various forms of collaborative arrangements, which suits the topic of the thesis, as it concerns business relationships in general. However, in order to add the international dimension particularly, and inspired by the story of the firm's attempts of doing business across national borders as introductorily presented this thesis, the understanding of an *international business relationship* can be interpreted as follows:

*"An international business relationship is the mutually oriented interaction between two reciprocally committed parties across national borders"*

Tentatively, this constitutes the understanding of international business relationships, which will be utilized further in the thesis.

## 2.3 The process of business relationship initiations

Having clarified the concept of international business relationship and business relationships in general, the subsequent sections introduces central topics regarding the initiation of such relationships and models developed for explaining the process of the relationship initiation.

### 2.3.1 The starting point of business relationships as related to the rationale

The starting point of a relationship initiation is usually related to a need or motivation (Ring & Ven, 1994), interest, search (Wilson, 1995) or the awareness of a feasible partner (Dwyer, Schurr, & Oh, 1987). Moreover, the starting point can be regarded as closely linked to the rationale of initiating a new business relationship in the first place.

According to Schuler et al. (1991), the most common reasons for entering an international business relationship are host government insistence, to gain rapid market entry, increased economics of scale, to gain local knowledge, obtain vital raw materials, spread the risk, improve international competitive advantage, and cost-efficiency. Furthermore, general

pressure to become international, being close to key customers, and reap the benefits of economies of scale are other reasons for why a company wants to establish an international business relationship (D. Crick & M. V. Jones, 2000).

### 2.3.2 Relationship initiation process models

Models developed in the academia for explaining the initiation process of a business relationship can mainly be divided into two streams; (1) those considering the initiation as a part of the relationship development process; and (2) those particularly focusing on the initiation as an own process. The two streams and contributions to these are presented subsequently.

#### *Relationship initiation as a first phase of the relationship development process*

Over the last decades, attention has been paid to how relationships develop (Batonda & Perry, 2003; Dwyer et al., 1987; Edvardsson et al., 2008; Ford, 1980; Larson, 1992), however, little attention have been paid to the initiation-part in particular (Kallevåg et al., 2006). Rather, the initiation of a relationship has mainly been described as the first phase in the development of a business relationship (Batonda & Perry, 2003; Dwyer et al., 1987; Edvardsson et al., 2008; Ford, 1980; Larson, 1992). Basically, these models can be divided into two schools of thoughts; (1) those suggesting that the development of the relationship is a linear process taking place in sequential *stages*; and (2) those suggesting that the development is executed in randomly and unpredictable *states* (Batonda & Perry, 2003; Conway & Swift, 2000; Dwyer et al., 1987; Wilson & Jantrania, 1994).

Ford (1980) is a frequently cited contributor in the first stream of thought, proposing a five stages model in which the development of the business relationship is described to happen in sequential, incremental, and irreversible stages. Here, the initiation part of the business relationships can be understood as the two first stages, constituting the *pre-relationship stage*, and *the early stage*. As the initiation of a business relationship is regarded as a part of the development process, it has been noted with various names, like *pre-relationship phase*, *pre-contact stage*, *initial interaction stage*, *searching a partner*, *alliance negotiation*, *early stage*, *courtship*, *selection process*, *partner identification*, *negotiation phase*, *relationship building phase*, *formation phase*, and *exploratory stage* (Østensen, 2011).

As opposed to the stages theories, the second school of thought regards the business relationship development process as an evolution of unpredictable states, neither orderly nor progressive over time (Batonda and Perry, 2003). Batonda and Perry (2003) are frequently

cited contributors in this academic stream, proposing a model on the where the development happens in six flexible states. Also here, the two first states, *the searching process* and *the starting process* can be understood as the initiation part of the business relationship to be developed.

### *Relationship initiation process as a separated from the relationship development*

Following the idea of Batonda and Perry's (2003) emphasis on a business relationship's dynamic process pattern, Edvardsson et al. (2008) were the first to develop a model for the initiation process of a business relationship in particular. Through an empirical study of three sellers of professional services, they found that the relationship between a buyer and a seller can be described as a process going through different statuses, not necessarily automatically progressing with a certain speed towards a business agreement, but rather that it can linger at any time during the process. In their model, Edvardsson et al. (2008) suggest the initiation process as going through distinct, rather than stable positions, describing the situation of how the *buyer firm* regards the *seller firm* in terms of its closeness to a business agreement. This includes the statuses *unrecognized*, *recognized*, and *considered*.

The first status refers to the situation when the parties do not know each other, or, as stated by the authors; *"when the buyer dos not recognize the seller"* (Edvardsson et al., 2008, p 343). The status recognized refers to when there is an awareness, one-sided or two-sided, by the companies of mutual business possibilities. The last status, considered, refers to when representatives from both companies discuss and co-develop the objectives and scope of the assignment and fine-tune details. Finally, and ideally, the process ends with a business agreement, which in fact, as the authors claim, is a business relationship. The business agreement can be of a formal character, such as a contract, or of a more informal character, such as a handshake.

However, the process may start or stop in any of the statuses. This implies that a business agreement may never be achieved, although it has "been through" a business relationship initiation process. The conceptual relationship initiation process is illustrated in Figure 4 below. The dotted lines circles that a relationship may involve a great deal of activities and continue, however, it does not necessarily have to change relative to the agreement. (Edvardsson et al., 2008)

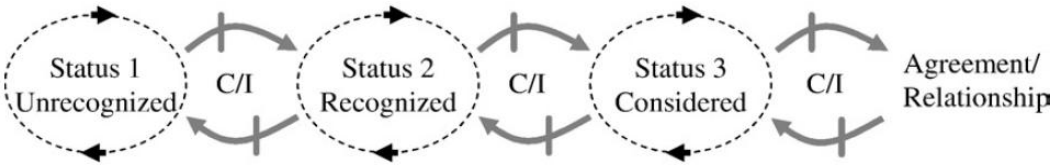



Figure 4: Relationship initiation process (Edvardsson et al., 2008)

The conceptualization further captures the dynamism by stating that it refers to different *forces* changing the status, which simultaneously can draw the two companies apart and away from a business agreement, as well as closer to the business agreement. The ultimate effect on the process depends on the sum of them, and is relative to each other. More concretely, the forces can *change* the status of the relationship process, labeled as *converters* (illustrated as arrows in the figure), or *prevent* the development from one status to another, labeled as *inhibitors* (illustrated as the lines on the arrows). The authors suggest time, trust, and service offerings as possible converters, and bonds, risk, and image as possible inhibitors. (Edvardsson et al., 2008)

Through the findings of their study, Edvardsson et al. (2008) also realized the important role a few key persons have for the development of the relationship initiation process, supporting the social network factor. The network perspective of the business relationship is further elaborated in the subsequent section. Meanwhile, in order to sum up this section, it seems as the start of the relationship is a diffuse, unclear event, or phase, of the development of a business relationship. Moreover, the start conditions to a relationship could be many and various, coupled with the rationale for initiating the relationship in the first place.

## 2.4 Seeing the business relationship as a part of a network

So far, when explaining the concepts of business relationship and how business relationships may be initiated and developed, this thesis has regarded the relationship as a *dyad*, that is, the interaction between two firms in a focal relationship. Anderson et al. (1994) claim that this dyadic relationship is just one of the two functions a relationship holds. The other one, the secondary function, or the so-called network function, explains that the focal relationship is affected by its connectedness to other relationships (Anderson, Håkansson, & Johanson, 1994). The focal companies' interconnectedness to the network is illustrated in Figure 5 below.

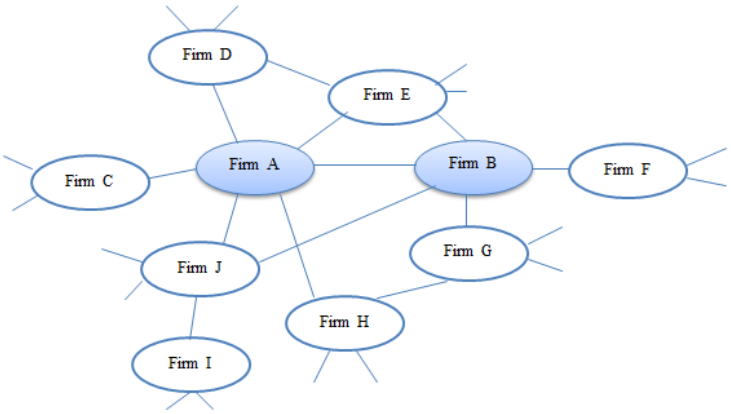



Figure 5: Business relationship as a part of a network

Several of other academic authors support this view of regarding firms as interdependent with each other through inter-organizational relationships, and to counter phrase Håkansson and Snehota (1995); *"no business is an island"*. This approach of addressing the inter-organizational issue is called the *network approach*, or *interaction approach* (Håkansson and Snehota, 1995).

The relationship, as well as the network, can both influence and be influenced, intentionally or unintentionally, and thus the business relationship that cannot be controlled by one actor in the network (Håkansson & Ford, 2002). As such, current interaction in a potential business relationship can be influenced by previous interactions in the network as well as expectations concerning interaction in the future (Håkansson, Ford, Gadde, Snehota, & Waluszewski, 2009). As seen from Chapter 2.2 in explaining the interaction approach, the linking of activities, resources, and actor bonds influence how the actors perceive each other and form their identities in relation to each other, reflecting interdependence between the parties involved. In this way, a relationship creates interdependence as much as it is a way to handle interdependence (Håkansson and Snehota, 1995). Thus, the combination of a process over time and these interdependencies make the relationships produce something unique by interlocking activities and resources of the two companies (Håkansson and Ford, 2002). This interlocking of activities is called the "network paradox". While the resources accessed through these relationships represent an important basis for the development of the firm, a well-developed network of relationships also ties a company to its current way of operating and thus restricts its ability to change (Gadde, Huemer, & Håkansson, 2003).

In sum, a focal relationship may be regarded as connected to several different relationships, in which the third parties might be the same (Anderson et al., 1994). These third parties, hereby referred to as third actors, are explained more explicitly in the subsequent section.

## 2.5 Third actors in the relationship initiation process

Realizing that the network, consisting of common and non-common third actors, can influence the focal business relationship, the *initiation process* of the business relationship can be influenced by the two parties in the focal relationship as well as the third actors in the network. An academic contributor to this field is Aarikka-Stenroos (2011), who based on a qualitative study from the professional service industry provides a conceptual description on how third actors contribute to the initiation of buyer-supplier relationships. In her study, Aarikka-Stenroos (2011) proposes a conceptual framework undertaking the vision of third actors serving as *initiation triggers* that can launch an initiation, keep the process ongoing, or even speed it up. The analytic description suggests various characteristics of the third actors, including the specific categorizations for the third actor embodiments, activity modes and the motivations of third actors, as well as their roles in the relationship initiation process.

Considering the categories of third actors' embodiments, Aarikka-Stenroos (2011) suggests that they can be divided into third actor *type* and the third actors' *network position*. Regarding the first categorization, Aarikka-Stenroos (2011) found that third actors may come in the type as *persons*, *organizations*, *artifacts* or *piece of work*, or *communities*. A third actor as a person could be a business acquaintance, friend, or an expert peer, a person on behalf of an industry or profession, or a person on position in an organization. A third actor as an organization can either represent the organization in itself, or the brand of the organization. The third type represents a realized work for a customer, or an artifact, as also they may contribute to the creation of a business relationship. The last type of third actors represents a blurred group that form a collective of thirds, mostly informal expert communities, such as a group of industry engineers of marketing people. Consequently, both human and non-human third actors can contribute to relationship initiations. (Aarikka-Stenroos, 2011)

The second category of third actor's embodiments regards the third actors' positions in the network. Aarikka-Stenroos (2011) finds that third actors may be either *vertically linked* or *horizontally linked* to the focal business relationship. The first group includes customers or customers' customers, whereas the latter includes non-customers, such as providers of

complementaries, competitors, colleagues, experts, or other actors in a similar position, and non-profit organizations. Aarikka-Stenroos (2011) highlights that several kinds of third actor categories can be involved during various initiation phases, as well as playing different roles in the relationship initiation process.

Based on the presented theoretical background, a conceptual framework is suggested in the subsequent section, along with the specific research questions guiding the empirical study.

## 2.6 Conceptual framework

Introductorily in this thesis it was suggested that the literature on international business relationship processes is scarce, and thus, the purpose of the thesis is to investigate this phenomenon so that a new, conceptual model can be suggested.

The theoretical background has introduced the reader to the phenomenon seen from three different research disciplines; internationalization, business relationship and initiations of those, and networking. The first discipline emphasizes the international issue more extensively than the two latter; by suggesting that initiation of international business relationships can be regarded as a firm's internationalization process. Business relationships may come in various collaboration forms, and this thesis embraces all of them. In order to include the international dimension, the thesis has tentatively suggested the understanding of international business relationships as a mutual interaction between two committed parties in two separate countries.

The second discipline suggests particular contributions regarding various models concerning relationship initiation processes; from seeing the process as happening in sequential, predictable stages, to seeing the process as consisting of unpredictable, non-sequential statuses. Merging these theories with, theories in the network discipline adds to the study the possibilities of a relationship initiation process to influence, as well as being influenced, by the third actors in the network. While acknowledging them both, as well as their interplay and subsequent effect on the relationship initiation process, this study merely considers the latter situation. This limits the study's framework to the initiation process of international business relationship, which is influenced by the two parties in the business relationship, as well as third actors present in their surrounding network, consisting of third actors. As such, third actors are understood as those actors *outside* the dyad. Additionally, supporting the interaction approach, the process may be influenced by circumstances in the environment in which the

interaction is taking place. The study merely considers the influencing factors from the perspective of the two focal companies, which implies that the third actors' perspective is excluded, and thus also their motives in such relationship initiations.

Based on this background, the theoretical framework for the empirical investigation of international business relationship initiations is suggested. The conceptual framework will guide the empirical study, and is illustrated in Figure 6 below.

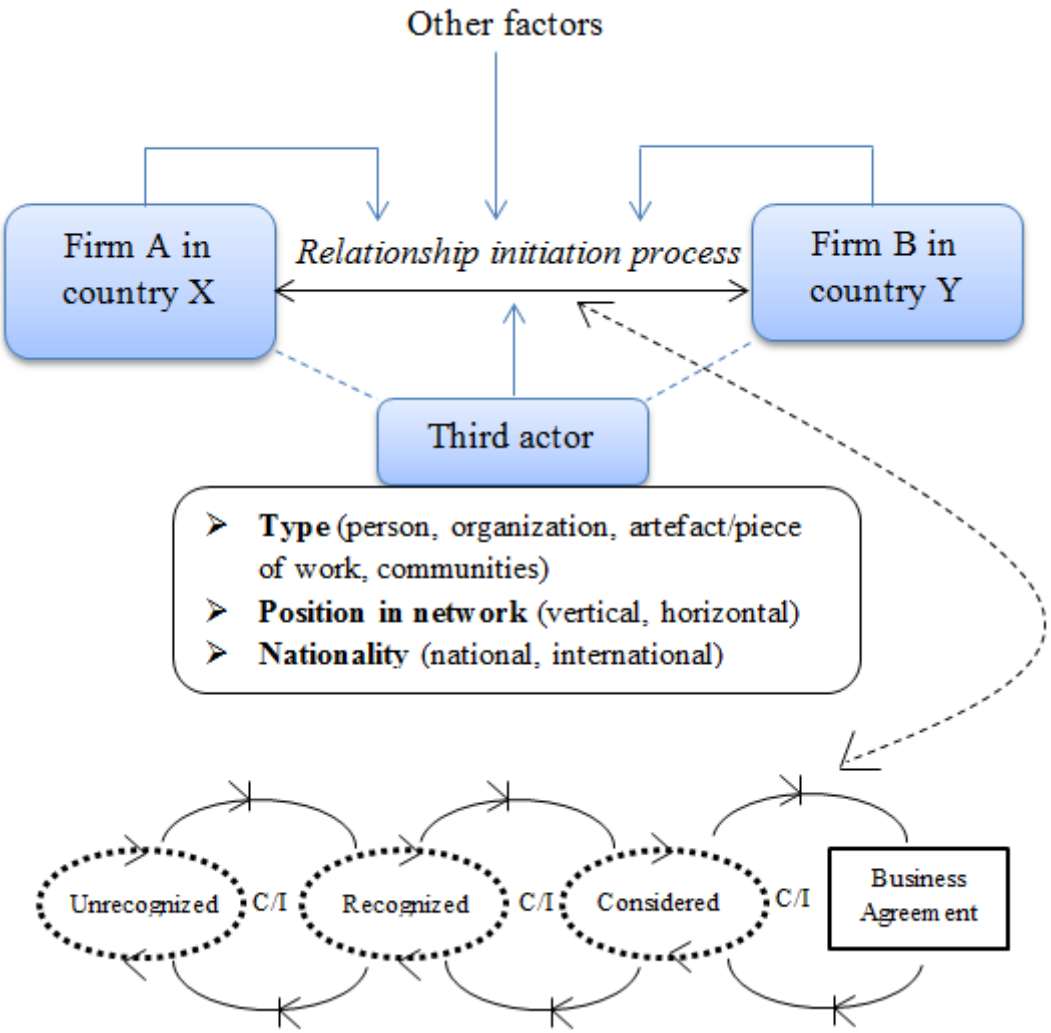



Figure 6: Conceptual framework

As revealed from the figure, the conceptual framework is mainly based on two particular conceptual contributions related to business relationship initiations and those circumstances that may influence the nature of the process. First, the framework is based on the model of business relationship initiation process suggested by Edvardsson et al. (2008). As such, the process of the relationship initiation is regarded as characterized by the three non-sequential statuses *unrecognized*, *recognized*, and *considered*, until a *business agreement* is achieved.

Further, the process is driven by four different types of forces: (1) forces changing the status closer to a business agreement (*forward converter*); (2) forces changing the status further away from a business agreement (*backward converter*); (3) forces preventing the development from proceeding forwards (*forward inhibitor*); and (4) forces preventing the development from regressing further away from a business agreement (*backward inhibitor*). As illustrated in the figure, the forces are regarded as influential in the shifts between the statuses, including the business agreement, herby referred to as *transitions*.

The forces are in particular used to explain *how* the initiation process is influenced by the two focal parties, the circumstances in the environment (labeled as other factors), and third actors in the network. Regarding the latter, the conceptual framework has included the second particular contribution; Aarikka-Stenroos (2011) characterization of third actors considering third actor *types* and their *position in the network*. Also, third actors' nationality is included as a third characteristic of the third actors, as it is acknowledged that not only may the focal business relationship take an international dimension, but also the third actors that influence the initiation of it.

Based on the conceptual framework, the study aims to answer the three stated research questions:

*RQ1: What characterizes the initiation process of an international business relationship?*

*RQ2: How do third parties influence the initiation process of an international business relationship?*

*RQ3: How do national versus international third parties influence the relationship initiation process?*

The first research question is related to the nature of the initiation process of international business relationships in general, as well as those circumstances influencing this process, that is, the two focal companies, the third actors in the network, and other factors from the environment in which the process is taking place. Answering this research questions provides the basis for answering the second research question, which in particular focuses on third actors' influence on the process, as well as addressing who they are. The third research question plays further on the "who" of the third actors, by explaining if, and if so, how the third actors' nationality play a role in the relationship initiation process.

# 3. Methodology and research design

This chapter describes the methodology and research design used in answering the proposed research questions for which this study is based upon. The chapter is divided into four parts: The first part describes the research design selected for this study. The second and the third part describe how the data was gathered and analyzed, and the fourth part evaluates the study upon the research design and method used.

## 3.1 A qualitative research design

The purpose of this research is to develop theory on international business relationship initiation processes. The study adopts a qualitative research design based on a single case study, upon which data is generated from interviews, observations, and documentations. In this section, the choice of research design, the case boundaries, as well as the use of theory are described.

### 3.1.1 The choice of the research design

My pilot study conducted in the fall of 2011 showed that the complexity and dynamism in business relationship initiations has received little attention in the academia, and that little focus has particularly been paid to factors influencing this relationship initiation process (Østensen, 2011). Qualitative research is a research strategy that emphasizes words rather than quantification in the collecting and analysis of data (Bryman & Bell, 2007), and is suitable when studying complex issues (Flick, 2009). The goal of my study is less to test what is already known, but to rather discover and develop theory. With this in mind, the research seemed best approached qualitatively.

As the majority of this study is based on the views and perception of individuals, the study follows an interpretivistic strategy. Interpretivism is predicated upon the view of respecting the differences between people and the objects of the natural sciences and therefore requires the social scientist to grasp the subjective meaning of social action (Bryman & Bell, 2007). As such, the epistemological position chosen for the study stress the understanding of the social world, which is executed through an examination of the interpretation by its participants, considering their subjective perspective and social background (Flick, 2009; Bryman & Bell, 2007).

During the choice of the research design it was assessed that the factors, and third actors, might be present simultaniously, and that there may be an interplay between them that

influence the dynamism of the relationship initiation process. It was therefore my view that much valuable information may lie in this interplay. In order to observe, analyse, and discuss this interplay, the context specific conditions were reckoned to be of great importance. The focus on contextual condition is one of the primary concerns of the case study design (Bryman & Bell, 2007; Yin, 2009). Thus, as a method for the chosen qualitativ research design, this study uses a case study design.

The choice of using a case study design is related both to the inherent properties as explained above, as well as the overall purpose of the study. Case studies provide unique means of developing theory by utilizing in-depth insights of empirical phenomena and their contexts (Dubois & Gadde, 2002), which is, as introductory explained, the objective of my study. Further, a case study is especially suitable when there is a wish to understand a contemporary phenomenon in its real-life contextual condition, when it is hard to make boundaries between the studied phenomenon and its context, and when the investigator has little or no control over the event (Yin, 2009). According to Yin (2009), the case study design is suitable if the research questions are formulated as "how" or "why". This study seeks to explain *how* third actors influence the initiation process of a business relationship, as well as *how* their nationality influence the process. Thus case study is regarded to be an appropiate design. Still, and as presented in Chapter 2.6, the first research question is a "what"- question. This is however to describe the relationship initiation process, which was thought to be necessary in order to investigate the the "how"- questions considering third actors' influnence on this relationship initiation process.

### 3.1.2 Choosing the case boundaries

By limiting the number of companies investigated, case studies investigate small samples by the use of a large number of variables to identify new empirical relationships (Wacker, 1998). According to Yin (2009), multiple-case design is preferred over single-case design, as the design is less vulnerable, avoiding to put "all the eggs in one basket". Additionally, from a social research perspective, using multiple cases might reduce potential scepticism due to concerns of the uniqueness of a single case (Yin, 2009).

When choosing the number of cases, there were practical considerations which had to be taken into account: The time available for collection of empirical data; the complexity of the researched phenomenon; and the time available for data analysis. While collecting data in Chile, I observed the complexity and interconnectedness between several business

relationships. As such, I started out with an intention to do a multiple case study, as I saw the potential benefits it could reap in terms of contrasting the cases against each other, as well as the opportunity to contribute to the academia an explanation and clarification of the rather complex interconnectedness. However, when I continued my data collection in Norway and started to analyze the interviews, I realized that the more "close" I came to the phenomenon to be studied, the more complex it appeared, and the more interconnected the relationships seemed to be. This complexity of business networks as a study object is emphasized by (Easton, 1995), stating that the fact that companies are connected to each other through direct and indirect relationships, adds methodological difficulties.

Considering the time available, and together with my academic supervisors, it was agreed that limiting the study to a single case study was a good solution, giving more time to in-depth investigation and analysis. Choosing a single case study additionally enabled an in-depth test on existing theory. Because I had gotten insight into a particular business relationship through my stay in Chile, this was selected as the case of my study; the business relationship between the companies Powel and Norconsult Andina (NCA). The first company is located in Norway, whereas the latter is located in Chile. Moreover, two external companies were included in the study in order to see how they, as third actors, have influenced the initiation process of the focal business relationship. These are Pacific Hydro Chile (PHC) and Tinguiririca Energia (TE), both located in Chile. Consequently, and according to Yin's (2009) categorization, the study is a single case study embedded with four units of analysis.

### 3.1.3 An abductive approach to the use of theory

Theory can be defined as an explanation of observed regularities (Bryman & Bell, 2007) and provides clear explanations for the pragmatic world (Wacker, 1998). The main objective of any research is to confront theory with the empirical world; however, by using systematic combining, this confrontation is more or less continuous throughout the research process (Dubois & Gadde, 2002). According to Dubois and Gadde (2002), systematic combining is a type of abductive approach. Abductive approach is a way of theory forming built simultaneously to data collection (Dubois & Gadde, 2002), and systematic combining can be described as *"a nonlinear, path-dependent process of combining efforts with the ultimate objective of matching theory and reality"* (Dubois & Gadde, 2002, p. 556).

Systematic combining is fruitful for researchers that focus on to discover new things, other variables, or other relationships than being studied by previous literature (Dubois & Gadde, 2002). As this study aims to develop theory rather than generate theory, that is, on refining existing theories rather than inventing new ones, systematic combining was found to be the most appropriate approach for this study: The study seeks to find new combinations in explaining the interaction of third actors' influence, and new concepts are derived from the confrontation with the empirical findings from the case study.

## 3.2 Data and data collection methods

The case study's unique strength is its ability to deal with a full variety of evidence (Yin, 2009). There are various different research methods that can be used in a case study to gather evidence. Yin (2009) states that they may come in six forms; documentation, archival records, interviews, direct observation, participant-observation, and physical artifacts. This study is based on participant-observation, direct observation, interviews, and documentation. Ensuring a source of evidence (Yin, 2009), the four methods used for data collection are described in the subsequent sections.

### 3.2.1 Participant-Observation

Starting with the method first employed to gather data for this study, participant-observation is a special mode of observation in which the observer is not merely passive. Instead, the observer may assume a variety of roles within case study situation and may actually participate in the events being studied. Participant-observation provides certain unusual opportunities for collecting case study data. The most distinctive opportunity is related to the ability to gain access to events or groups that are otherwise inaccessible to the study. Also, it provides the ability to perceive reality from the view-point of someone "inside" the case study rather than external to it. (Yin, 2009)

Two participant-observations have been used in gathering data for the case study. The first participant-observation is linked to a previous student work at Powel's offices in Trondheim from June to July 2011. Here, I was introduced to the technical use of the software constituting the context of their business relationship with NCA, of which contract was signed two months later. Although not yet started my pilot study, I knew I was going to do a literature study of international business relationship initiations, and saw that this relationship was one of many possible units of analysis for my subsequent master thesis. The second

participant-observation is in combination to yet another student work, but this time at NCA in Chile during the period February to May 2012, implementing Powel's software. At the time considered, I had just finished my pilot study, but had however not decided the unit of analysis in my master thesis. Notes were not taken in neither of the two processes due to my participating role.

The participant-observations have mainly served as "a background" for understanding the context of the case. By this I mean that they have served me more in terms of understanding the business areas of Powel and NCA, rather than directly used to analyze the relationship initiation process. However, as they have affected my view on the case, I have considered them as a part of the data collection. My role in this context is more explicitly described in 3.4, in evaluating the study.

### 3.2.2 Direct observations

The next method employed, and serving as yet another source of evidence in a case study, direct observations may add new dimensions for understanding either the context or the phenomenon being studied (Yin, 2009). According to Yin (2009), the observation can range from casual to formal data collection activities, where upon this study has used the latter. Just a few days before doing the interviews, I was invited by NCA to participate in two meetings; the first between NCA and PHC, the other between NCA and TE, both concerning a potential sale of Powel's software. I was not actively participating in the meetings, as I had a more passive role in terms of observing the conversations. In contrast to the participating-observations, notes were taken from both of the meetings, and were used as a part of the empirical description of the case.

### 3.2.3 Interviews

The major part of the data used in the empirical description is however based on interviews. Qualitative interviews emphasize a greater generality in the formulation of initial research ideas and on the interviewees' own perspective (Bryman & Bell, 2007). For the purpose of my investigation, it was important to catch the persons' point of view and obtain their subjective insight into what they regarded as relevant. Additionally, the interviews were used parallel with the combination of theory (see Chapter 3.3). As I wanted to obtain the interviewee's subjective understanding, and at the same time assure that specific topics were covered, semi-structured interview was chosen as the generic approach. According to Bryman and Bell (2007) semi-structures interviews typically refer to a context in which the interviewer asks questions in a general form of an interview schedule, but is able to vary the

sequence of questions as well as asking questions in response to what are seen as significant replies.

The selection of the interviewees were chosen on the basis of two criteria; (1) persons appeared to be central through direct observation and documentation study (see the description of documentation below); and (2) interviewees' recommendations of central persons that in their opinion had been central to the process. The second sampling is frequently referred to as "snowball sampling", meaning that the researcher makes initial contact with a small group of people who are relevant to the research topic and then uses these to establish contacts with others (Bryman and Bell, 2007). All the candidates were contacted personally or per mail, sometimes with the help of an employee in NCA or Powel. The objective and topic of the interview was explained, and we agreed upon time and place.

Before carrying out the interviews, an interview guide was developed, stating eleven key questions in order to assure a best possible fit between the answer of the interviewee and the topics of this study. The interview guide is attached to Appendix A. The same interview guide was used in all of the interviews aiming to improve the comparability of the four units.

A total of 11 semi-structured interviews were conducted in the period June-November 2012. Table 1 on the next page lists the interviewees according to which company they represent, their job description, date and place for the interview, type of interview (personal or telephone interview), and the language the interview was held in.

As shown from the table below, two or more persons were interviewed from the four companies Norconsult Andina (NCA), Pacific Hydro Chile (PHC), Powel, and Tinguiririca Energia (TE). In order to increase the data triangulation, interviews were conducted with different levels of the organizations, from top and mid-level managers to operators and technicians in all of the four companies. All of the interviewees were currently working in the companies as listed in the table, except from one, who recently had quitted. For NCA, PHC, and TE, the interviews were held in Santiago, Chile in June 2012 at the offices for the respective companies. For Powel, the interviews were held in Norway during the period September to November 2012. Two of these interviews were held at their main office in Trondheim, Norway, and one in the home office to the interviewee in Røyse.

Table 1: Interview participants

| Organization | Name | Nationality | Job description | Date | Place | Duration | Language |
|---|---|---|---|---|---|---|---|
| **Norconsult Andina S.A.** | Øyvind Engelstad | Norwegian | CEO | 05.06.2012 | Apoquindo 4700, Santiago, Chile | 90 min | Norwegian |
| | Germán Pérez | Chilean | Electromechanical Engineer | 07.06.2012<br>08.06.2012 | Apoquindo 4700, Santiago, Chile | 55 min<br>95 min | Spanish |
| | Francoise Bigillon | French | Senior Hydraulic and Hydropower Engineer | 07.06.2012 | Apoquindo 4700, Santiago, Chile | 30 min | English |
| **Pacific Hydro Chile S.A** | Pablo Alfredo Arrieta | Chilean | Design Manager | 07.06.2012 | Isadora Goyenechea 3520, Santiago, Chile | 75 min | English |
| | Huw Birrell | Australian | Corporate Finance Manager | 06.06.2012 | Isadora Goyenechea 3520, Santiago, Chile | 40 min | English |
| | Rick Fletcher | Australian | CEO | 05.11.2012 | ---- | 60 min | English |
| **Powel A.S.** | Per Christian Gomnæs | Norwegian | Director Corporate Business Development | 17.09.2012 | Gomnesveien 192, Røyse, Norway | 80 min | Norwegian |
| | Klaus Livik | Norwegian | Director International Markets | 17.10.2012<br>20.11.2012 | Klæbuveien 194, Trondheim, Norway | 50 min<br>35 min | Norwegian |
| | Nils Olav Tangvik | Norwegian | Sales Manager Smart Generation | 17.10.2012 | Klæbuveien 194, Trondheim, Norway | 80 min | Norwegian |
| **Tinguirirca Energia S.A.** | Leonardo Aburto | Chilean | Planning Manager | 05.06.2012 | Isidora Goyenechea 3520, Santiago, Chile | 60 min | English |
| | Gabriel Troncoso | Chilean | Former Strategic Manager | 07.06.2012 | Apoquindo 4700, Santiago, Chile | 110 min | English |

The interviews lasted from 30 minutes at the shortest to nearly two hours at the longest. For practical reasons, two of the interviewees had their interviews broken into two rounds. The interviews were all personal interviews, except from one, which was done over telephone. This was done because the interviewee was not available during the period the interviews were held in Chile. According to Bryman and Bell (2007), telephone interviews may differ little from face-to-face interviews when it comes to responses, but might be cut short since they are easier to break up than a personal meeting. This problem was indeed experienced, as this interview was strictly held to the time, whereas the personal interviews usually lasted longer than the time set in advance.

Further, the interviews were held in the language initiated by the interviewee; English, Norwegian, or Spanish. In seven of the interviews the language used was the interviewee's mother-tongue, whereas four of the interviews were held in the interviewee's second-spoken language. All of the interviewees chose a language they felt most comfortable with, except from one, who chose to speak English. I noticed that the interviewee expressed concerns related to the ability to express opinions as desired in English, which may have limited the access to important answers for the topics of the study (for further limitations and evaluations of the study, see Chapter 3.4).

All of the interviews were recorded, except from one, who did not want his interview recorded. In the latter case, notes were taken from the interview, whereas the rest were transcribed. None of the interviewees wanted to be anonymous. However, sometimes sensitive information was revealed, on which the interviewees would not be phrased in the thesis. This was respected. Additionally, information of the participants as well as their phrases to be used in the study, were sent to the participants for approval. Most of the information was approved; however, some sensible information was rephrased according to the participants' suggestions. Some interviews have been more extensively been used than others in the empirical description, due to the interviewee's role in the business relationship of study.

### 3.2.4 Documentation

For case studies, the most important use of documents is to corroborate and augment evidence from other sources (Yin, 2009). This study has utilized documentary data varying from internal records to news clipping and other articles appearing in the mass media. In terms of

internal documents, Powel's annual reports from the period 2007-2011 have been used to get information about the company. The last two are available at Powel's home page, whereas the annual report from 2007-2009 are available at request from Powel. Additionally, the brochure "Power is in our nature" and Powel's customer magazine "PowelPress # 2 october 2012" has been used. "Power Market Processes – observations and lessons learned from the Nordic market" has been utilized in enhancing the understanding of the power markets.

Most important for the case to be studied, however, is the formal proposal from Powel to NCA (03.2011) and the non-disclosure agreement (09.2011) between the two. Additionally, the technical request from PHC to Powel for Valley Optimization Study (10.2011) and Powel's proposal to PHC (11.2011) have been studied in order to verify the information given by the interview participants.

From NCA, an internal overview over projects in Chile has been used as well as the CV's of those participating in the interviews. Additionally, web sites for the four companies and other companies mentioned in the empirical description in Chapter 4 have been utilized (Tinguiririrca Energia, Statkraft, SN Power, Nordfund, InnovasjonNorge, Powel, Norconsult, Pacific Hydro, SINTEF, and NTNU). This has been done in order to learn about the companies' business areas, markets, products, and services, as well as cross-checking the information given during the interviews. News-clip and documents from the mass media have also been used. Finally, LinkedIn, have been employed to verify correct spellings of title and names of organizations and persons.

## 3.3 Analysis and reporting method

In this section the method used for analyzing the data as well as the selected reporting method is presented.

### 3.3.1 Analysis method

As previously described, the method used in this thesis differs from theory generating studies, in which the categories of analysis are developed from data, referred to as inductive, and from theory confirming studies, in which the literature enables the proposal of theoretical frameworks for trial in the analysis, referred to as deductive (Bryman & Bell, 2007).

Following a systematic combining approach, the analysis method is characterized by a dynamic movement between the theoretical and the empirical world, as illustrated in Figure 7 below.

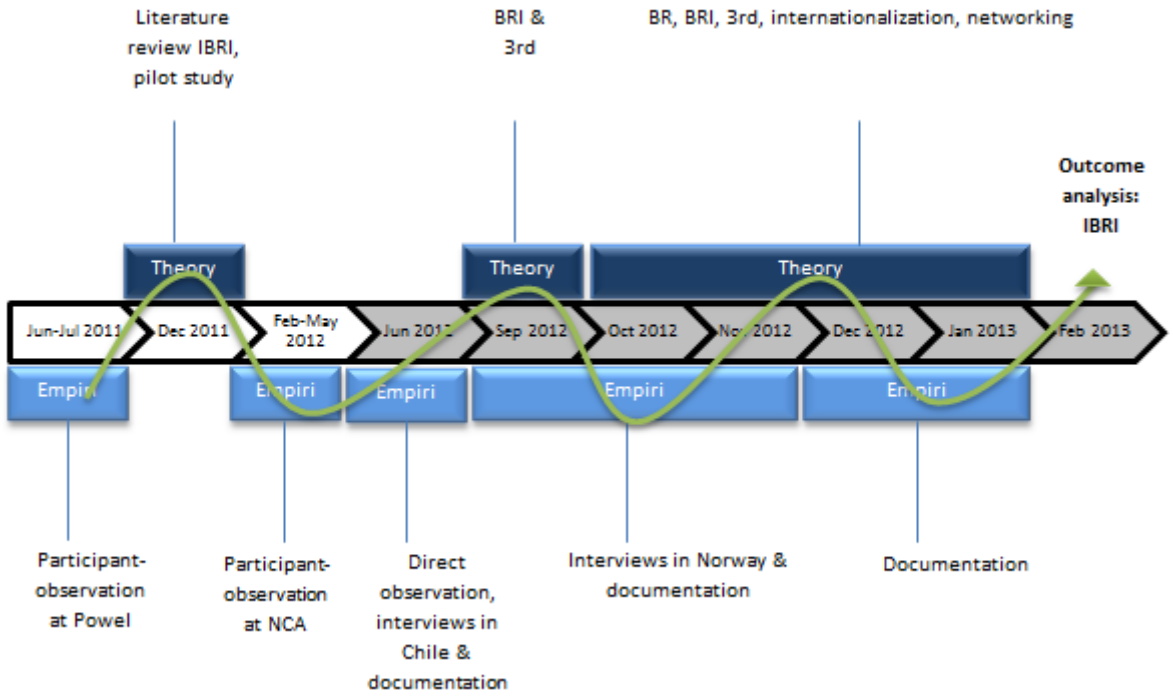



Figure 7: Systematic combining empirical data with theory

As illustrated by the grey boxes, the "real work" with the thesis started in June 2012, when I was in Chile and had the opportunities to do the interviews. Nevertheless, and as previously indicated when explaining the data collection methods, the "background" of the thesis actually started a year ahead through participant-observations of the "real world" at Powel and NCA, and the literature review from my pilot study on international business relationship initiations. This "background", illustrated by the white boxes, guided the lines for what to be asked for in the interviews conducted in June 2012. When I additionally had directly observed two meetings including two other actors and studied relevant documents, I found out that the theory existing on business relationship initiations lacked the inclusion of third actors' influence on the process, and thus I explicitly started to search for this in September 2012, when the master contract was written. With this in mind, I continued to conduct interviews in Norway with the same procedures for the ones in Chile, though now with a different understanding of the phenomenon to be analyzed. Finding out that the theories combining business relationship initiations with third actors was not sufficiently covering the international dimension as well as the full effect of third actors on the process; I studied more

theory on business relationships, as well as including theories on internationalization and networking. Simultaneously I conducted the rest of the interviews as well as studying relevant documents. As an outcome of the analysis I ended up with a new conceptualization on international business relationship initiation processes (IBRI), including third actors' influence on it.

In terms of the specific analysis of the empirical data, the interviews were firstly transcribed in their full length manually. This was done as I throughout the process varied between the categorization of the data, due to the systematic combining of the empirical and theoretical findings. There were multiple paths for how analysis and coding proceeded and how theory and data were matched in order to produce the categories. The whole coding system elaborated and progress during the coding process. Matching the data and the theory in this manner was very time consuming because various coding systems were checked but rejected as mismatches. The result of the categorization is shown in Chapter 5.

In sum, and as indicated by the arrow in figure, the analysis went back and forth in the process of matching the empirical findings with the theoretical findings. In case studies aiming at theory development, as this study, the researcher needs be open to the multitude of meanings that a certain concept can give rise to. Discoveries, which cannot be planned in advance, force the researcher to reconsider the prevailing framework (Dubois & Gadde, 2002). This has been shown to be highly valid for my study, as my insights resulting from empirical data contributed to the development of the conceptualization and triggered the search for complementary theoretical concepts. As seen, empirical data inspires changes of the view of theory and vice versa.

### 3.3.2 Reporting

Even though the analysis follows an abductive approach, the reporting of the findings follows a deductive style by presenting the theoretical framework ahead of the empirical findings, aimed at structurally guide the reader to an increased understanding of the phenomenon. Nevertheless, the reporting does not truly show the real complexity of the studied phenomenon, neither does it reflects the continuous learning process that comes with the systematic combining of theory and empirical data. According to Dubois and Gadde (2002), *what* we learn is usually presented through the theoretical framework, however, *how* we learn is usually passed over, and should be attempted to more deeply be revealed in the research reports. Chapter 5 does particularly reflect upon the simplified picture presented. Here, the

reader is guided through a categorization of what appears to be relatively structured, though fairly repetitive and irksome process of reasoning the empirical findings when compared to the conceptual framework. By doing such, the experimental side of the research is not fully demonstrated, and consequently, it does not reveal the systematic combining and the continuous learning process that comes with the experiments.

## 3.4 Evaluation of the empirical study

As already indicated, this study is not without limitations and weaknesses. In this section, an evaluation of the study is conducted upon the four criteria of trustworthiness; credibility, transferability, confirmability, and dependability, suggested by Guba and Lincoln (1994), as well their suggestion of the fifth criteria of authencity. The criteria are sited from Bryman and Bell (2007).

### 3.4.1 Credibility

If there can be several possible accounts of an aspect of social reality, it is the credibility of the account that a researcher arrives at that is going to determine its acceptability to others (Bryman & Bell, 2007). In order to ensure that there is a good correspondence between the findings and the perspectives of the research participants, the interviews were recorded and respondent validation on the translated synthesis was gathered. Additionally, the interviews were discussed with the academic supervisors. After the interviews, the main topics were discussed in order to ensure a common understanding of what had been said during the interviews. By the suggestion of the participant, sensitive information was cut or rephrased. This respondent validation was important for the participants in terms of ensuring that their answers were not harming anyone, or revealing too sensitive information. However, this have hindered useful information relevant for the research.

Another way this study has increased the credibility is the use of multiple sources of data, referred to as triangulation (Bryman & Bell, 2007). Using a multiple source of evidence may make the findings of the study more convincing and accurate (Yin, 2009). As previously described, this study has used interviews, documentations, and observations as methods for gathering data, giving the opportunity to cross-check my findings by comparing observations and answers from the interviews with what is revealed by the documentation.

### 3.4.2 Transferability

Transferability can be linked to external validity, which refers to the degree to which findings can be generalized across social settings (Bryman & Bell, 2007; Yin, 2009). However, qualitative research typically entails the intensive study of a small group, oriented to the contextual uniqueness and significance of the aspect of the social world being studied (Bryman & Bell, 2007). Thus, case studies should rather rely on *analytic* generalization, that is, the generalization of the particular set of results to some broader theory (Yin, 2009). Considering that the outcome of the thesis is highly theoretical, and opens up for a variety of applications across types of industry, the analytic generalization is considered to be relatively high. However, the findings of the study are merely based on a single case study design with a small sample space. In order to increase the transferability, the study could have been based on a multiple case study design, using several companies across countries and industries.

### 3.4.3 Confirmability

Considering that the study follows an interpretivistic strategy, complete objectivity is impossible. However, Bryman and Bell (2007) state that it should be apparent that the researcher not overtly allows personal values or theoretical inclinations manifestly to sway the conduct of the research and the findings deriving from it. In order to increase the confirmability of the study, the interview synthesis has been clearly separated from my own interpretation. Confirmability has also been pursued by choosing the language carefully when discussing semantically difficult topics with the interview participants. In terms of decreasing theoretical inclinations, the use of systematic combing approach, has allowed new visions to appear. Still, the selection of theory and the way they have been combined with the empirical data is based on subjective judgment, and is thus exposed to bias.

The limited number of theoretical perspectives used in the study is a potential limitation. There exist more theoretical perspectives on third actors and how they influence a business relationship, which may have enriched the explanation of the topic of study. However, considering the resource constraint in terms of available time, a selection of perspectives had to be made. Still, as far as I am aware of, no previous study has included third actors' influence on the initiation process of *international* business relationships. This is thus considered as a strength of the study, as it opens up for the possibility to develop new theory.

Another means of reducing the impact of subjectivity has been to separate between the empirical description (Chapter 4) and the analysis of the empirical data (Chapter 5). In this way, the reader may be able to make his or her own judgments on the basis of the empirical

description. Still, and despite the taken measures, some degree of interpretation is always involved in the process of gathering and presenting information. This particularly counts for my participation in working at NCA and Powel, which considerably have exposed me for bias.

### 3.4.4 Dependability

To establish the merit of research in terms of this criterion of trustworthiness, researchers should adopt an "auditing" approach in terms of ensuring that complete records are kept of all phases of the research approach (Bryman & Bell, 2007). The largest contribution to dependability is the establishment of a chain of evidence. The purpose of such a chain of evidence is to allow an external observer to follow any derivation of evidence from the initial research questions to the final conclusions of the study (Yin, 2009). Efforts have therefore been made to ensure that the links between the research questions, choice of theory, empirical data, and the derived conclusions, are as clear as possible.

The database constituting the transcripts of the interviews, notes from direct observations and the documentations used, are all available on request, and with the permission from Powel and NCA. Most of the documentation used is also available on internet. However, recordings and transcripts from the interviews as well as the notes from direct observation are not attached to this document. This is due to sensitive strategic information, different source language (Norwegian and Spanish) and the participants' desire for not revealing sensitive, personal information about each other.

However, critique concerning difficulties with replication of qualitative studies is often connected to the researchers' subjectivity (Bryman & Bell, 2007). Because the research strategy often values an unstructured approach and depends on the researchers' ingenuity, it is almost impossible to conduct a true replication (Bryman & Bell, 2007). As previously explained, my subjectivity is a weakness of this study. In particular, my presence in the meetings between NCA, PHC, and TE may have influenced the answers of the subsequent interviewees, as some of them also participated in these meetings. Although being informed that the thesis was of academic purpose, the fact that they knew that I had worked for both NCA and Powel, possibly influenced the participant's answers for those representing PHC and TE, in terms of not telling all that could have been relevant for the study. Consequently, this is regarded as a weakness. Notwithstanding, if I had not participated in the meetings, it

could have been challenging to get an appointment with the participants in the first place, as some of them are in the top-management of the companies interviewed. Also participants from Powel and NCA may have been influenced by my previous participation in the two companies, but in a positive way by showing a colleague-attitude towards me. Even though this is regarded as a strength of the study in terms of revealing answers that may not have been revealed if another person did the same, the answers from the participants may, at least to some extent, have differed from the ones obtained and presented in this study if replicated by an external person.

Nevertheless, the dependability has to a certain degree been improved by using the academic supervisors as auditors by reporting on progress and discussing findings related to interviews, documentation and observation. Additionally, the respondent validation has also increased this criterion of the study's trustworthiness.

### 3.4.5 Authenticity

In addition to the four trustworthiness criteria upon which the study has been evaluated so far, a fifth criteria concerning the wider political impact of research can be discussed (Bryman & Bell, 2007). The candidates selected for the interviews were mainly chosen for their involvement in the case to be studied. However, this mainly appeared to be the management of the respective companies. Although operators and technicians were included, more participants on these levels could have been included in the study in order to increase the authenticity of the study.

# 4. Empirical description of the relationship initiation process between Powel and NCA

Having established the conceptual framework presented in Chapter 2, this chapter provides the empirical description of the relationship initiation process between the software solution provider Powel AS in Norway, and the engineer consultancy company Norconsult Andina S.A (NCA) in Chile (subsidiary of the Norwegian engineer consultancy company Norconsult A.S). The business relationship between Powel and NCA is hereby referred to as the focal business relationship. The empirical description is based on the empirical data described in Chapter 3. In order to increase the understanding of the relationship initiation process, a description of Powel and its internationalization history before entering Chile will be provided. Subsequently, the initiation process of the focal business relationship will be described chronologically, interrupted by some flashbacks in history and descriptions of third actors in the network, that in some way or another have influenced the process. The empirical description provides the basis for the subsequent analysis.

## 4.1 A description of Powel

Powel AS is a private Norwegian company supplying business critical software and associated services for energy and public infrastructure companies. Focusing on power generation, grid operations, smart metering, and water and wastewater management, they are a market leader in Scandinavia for providing solutions within these areas. ("Power is in our nature")

Powel's history can be traced back to the Norwegian Electric Power Research Institute, which is a part of the SINTEF group. SINTEF is the largest independent research organization in Scandinavia and is one of Europe's most acknowledged research communities within technology, science, medicine, and social studies (sintef, 2012). Established in 1950 by the Norwegian University of Technology and Science (NTNU), SINTEF has a long history of close collaboration with the university. Both NTNU and SINTEF are headquartered in Trondheim, Norway. Together with Powel, as well as other Norwegian energy companies, such as SN Power and Norconsult (described later), they constitute major parts of the Norwegian hydropower community. (Powel annual report 2007-2010)

The Norwegian hydro power community is small and informal, mainly represented key-persons from the university and research environment, as well as the companies mentioned above. Even though the technologies are kept secretly, histories and rumors about new technologies quickly circulates in this environment. (Engelstad, 05.06.2012)

As a spinoff from SINTEF, Powel became a private company in 1996, constituting 37 employees, and with the previous SINTEF employee, Jon Einar Værnes, as general manager. 16 of these have been in the company since the founding of the company, and including other employees, the company constitutes more than 250 employees today. Until 2007, Powel was headed by Værnes, when Bård Benum, having had previous managerial positions in Reitangruppen, Vital Forsikring, and DnB Nor, was asked by the owners to take over. Benum is the present general manager of Powel. From its initiation until today, Powel has been headquartered in Trondheim, close to the academic community. Additionally, Powel has offices in various cities in Norway and Sweden, as well as one office in Denmark. (Powel annual report 2007-2011)

From being 100 % owned by SINTEF, Powel is today owned by Arendals Fossekompani ASA, which is a public limited company, owning 96 % of the shares. The rest is owned by independent private investors and some employees in Powel. In 2007, at the same time as Benum became general manager, the company was introduced to the Norwegian stock market. Over the years, Powel has generally had a steady group of owners. The biggest change happened when Viking Venture, the leading technology focused venture capital company in Norway sold themselves out in 2009, and Arendal Fossekompani took over. Two years ago, most of the employees sold their shares to Arendals Fossekompani. (Powel annual report 2007-2011)

## 4.2 The internationalization history of Powel before Chile

Constituting the background for understanding the occurrence of Powel's activities in Chile, Powel's internationalization history before entering the Chile, will be described below.

### 4.2.1 Powel starts in Norway

Being a spinoff from the Norwegian research community in Trondheim, Powel's first activities with customers started when Powel was still a part of SINTEF. The first solution to be developed was the *Smart Grid Information System* (NetBas) in 1985, delivered to Norwegian power distribution companies. The software system has always been an important source of income for Powel, offering models for engineering analysis and support for strategic decisions by enabling effective planning, operation, and maintenance. A couple of years later, a second software solution was implemented to purchase the Gemini company in Bergen; the *Technical Infrastructure* (TI), delivered by the Gemini product family. Customers on this solution were Norwegian contractors, architects, consultants, and municipalities. The software solution is still an important source of income, providing good support for mapping, planning, and surveying departments for the customers. Moreover, it improves the infrastructure, by, for example, providing documentation and maintenance of pipelines for water and wastewater. (PowelPress # 2 october 2012, Powel annual report 2007-2011)

In parallel with the development of GIS and TI, the *Smart Generation software suite* (SmG) was developed. Together with the GIS software, the SmG software constitutes Powel's other biggest source of income (Livik, 17.10.2012). Owing to the fact that this solution played a part in the entrance of the Chilean market, the software, along with its criteria for markets of operation, will be presented more depth:

The SmG system is designed for *hydropower producers* and *owners of hydropower plants*. Supporting the entire forecasting and planning process, it is specifically designed to help improve daily operations and long term planning for *generation of hydropower*. Special for the Smart Generation software suite is the optimization of short-term and medium-term plant schedule, and it has proven to lead to a 5 % increase in energy generation and revenue on an annual basis for hydro power producers. This makes the Smart Generation software solution a good return-on-investment for owners of a hydropower plant. (Tangvik, 17.10.2012)

The software is further based on the assumption that the hydropower producers can *regulate their production on a short-term basis*, preferably every hour, and at least every day. Thus, in

order to be able to regulate the input to the generators that converts the hydro power into electric power, the system has to have a regulative water reservoir. (Tangvik, 17.10.2012)

In addition to the regulation criteria, the hydropower system should be *complex*, in the sense that the system should have at least two hydropower plants, and each plant should have at least two generators. If not, manual planning by using traditional spread sheets, such as Excel, would serve the same needs, which is a substitute significantly cheaper than SmG. When the hydropower system gets complex, however, the SmG will provide a better outcome than the traditional planning tools. Based on complex optimization algorithms, the SmG can provide the user with a significant increase in production and revenue. (Tangvik 17.10.2012)

A third criteria, though not as critical as the two others presented, is that the power market, in which the SmG is used, should preferably be *deregulated*. Simply explained, a deregulated power market is a power market based on free competition with market based pricing rather than regulated by the state, and the power price is determined by the balance between supply and demand. Countries today having a deregulated power market are generally spoken whole Europe, the U.S., and some other countries. In the future it is expected that all countries in the European Union will be connected to a common power market, as the European Comission has a goal to "harmonize European markets". (Livik, 17.10.2012)

Summarizing the factors that must be present in a context where SmG is valuable is available hydropower for production and possibilities for regulating the production. Further, the software is tailored for complex systems and for deregulated power markets. Being the world's first country to have a deregulated power market, Powel's first customers on SmG were Norwegian energy companies, constituting Powel's biggest customers in terms of money generation. In fact, the development of the software was *financed and done in collaboration with both the customers and the Norwegian Research Council*, among which the most important customer was the Norwegian state-owned company Statkraft, Europe's leader in renewable energy. (Livik, 17.10.2012)

### 4.2.2 Powel enters Sweden, Denmark, Iceland, and the Faroe Islands

While still being a part of SINTEF, Powel acquired customers in Sweden, mainly on the SmG side, and in 1996, right after Powel became a private company, the first office outside the Norwegian borders was established in Jönköping, south in Sweden. Two years after, the *Smart Metering Suite* (SM) was launched together with their Swedish customer company Vattenfall, one of Sweden's biggest utility. The SM is another solution in Powel's product portfolio, designed for industry and households, offers data collection and data management, from virtually any utility meter, sub-meter or communication devices using open protocols. (Livik, 20.11.2012)

At the same time as the establishment in Sweden, Powel sat established a partner in Denmark in connection to their sales of Smart Grid solutions to KMD, previously Kommunedata, a Danish IT-company, owned by municipalities reselling the system to municipalities in Denmark. Smart Grid solutions were also sold to energy companies on Iceland and even the Faroe Islands. (Livik, 20.11.2012)

### 4.2.3 An employee in SINTEF visits Chile

As it appears from the sections above, Powel expanded rapidly to the Northern countries. At that point in time, not all employees from SINTEF had been transferred to Powel, as it continued in the late 1990s and the beginning of 2000s. Meanwhile, a research manager in SINTEF, Klaus Livik, explored and worked with various projects related to deregulated power markets. Livik was the manager of a group connected to research on power markets, end-customer markets, and Smart Metering, and visited various countries in connection to various research projects. (Livik, 20.11.2012)

In 1999, an invitation was sent to various Norwegian companies by the Norwegian Ministry of Industry and Trade and Innovation Norway, a Norwegian, state-owned company, whose vision is to help Norwegian companies with innovation, internationalization, and profiling (innovasjonnorge, 2012). The invited ones were Norwegian engineering and energy companies. With the aim to learn more about hydropower markets outside the Nordic home market, Livik visited Chile together with other delegates from Norwegian companies, such as Norconsult AS , a Norwegian leading engineer consultancy company. The delegates had to sponsor the trip themselves, so Powel and SINTEF shared the costs of Livik's visit. As emphasized by the organizers, the visit could be a door opener into Chile for the companies. Nevertheless, Livik recollects that none of his trips together with the Norwegian government resulted in short-term profits. He visited Chile primarily to learn, and additionally stating that

"*..perhaps Chile learnt something about the Norwegian hydropower market too"*. (Livik, 20.11.2012)

During the visit, Livik attended various presentations by central persons in Chile, by representatives of the distinguished Chilean university, La Universidad Pontificia Católica (PUC) and various energy companies. From his meetings with the premier professor on hydropower, Hugh Rudnick, and with representatives from Chilelectra, today Endesa, Chile's biggest energy company, Livik recollects the following: *"At that time the university environment appeared very self-centered. They claimed that they had a power market, but even I had the competence to see that they did not. But with Chilectra I got a good contact. They were specialists and really understood "the things". However, it was too early. The market was too limited and premature"*. (Livik 20.11.2012)

### 4.2.4 Making investments in US

The year 2000 represents a crossroad in Powel's history of internationalization. Until then, Powel had acquired several customers companies in countries outside the Norwegian borders. Yet, these were to be considered as *the home market*, in the sense that Sweden, Denmark, Iceland, and have geographical proximity. Thus, in 2000, it was the first time Powel tried to pursue their opportunities outside their home market. The first country to be explored was the US, which, at that time, was perceived to be fairly similar to the Nordic countries in terms of technology development. (Gomnæs 17.09.2012; Livik 20.11.2012)

In 2000, Per Christian Gomnæs, an independent consultant, was contacted by the owners of Powel. Being the previous CEO for the Norwegian company Norconsult AS (NC) for 15 years, from being an "umbrella organization" of various, small engineering firms, to a big engineering consultancy company represented worldwide, Gomnæs had a broad experience with internationalization. And exactly for that purpose he was contacted by the owners of Powel; to help them out with the internationalization of Powel. During his first three-four years in Powel, while still having a (5 years) agreement with NC, Gomnæs was searching for a foothold in US for the Smart Grid software solution, which was thought to be the solution in Powel's portfolio best fitted to the American market. Powel established offices with employees from Powel on the west coast. (Gomnæs, 17.09.2012)

However, after some time they saw that they needed local representation. They bought the consultancy company MiniMax with Norwegian ancestry in Minneapolis, later renamed to Powel Inc, which was adapted to the organizational needs of Powel. However, the Smart Grid

solution showed to be difficult to sell, as the software was not tailor-made to the American market. Additionally, selling a European solution was not well received by the Americans. Moreover, the efforts in US were not deeply rooted in the Norwegian organization, as sales in the home market were prioritized. In 2009, the new owners decided to sell out Powel's business in US. What remained was a partner, Geo Digital, still trying to sell the Smart Grid solutions. However, they did not manage to sell many of the Smart Grid systems, and as the development in US happened rapidly and the competition was high, Powel completely withdrew from US in 2011. (Gomnæs, 17.09.2012)

### 4.2.5 Looking for possibilities in Spain

In 2000, and in parallel with the investments in US headed by Gomnæs, Powel was also looking for other markets. Powel was opportunistic in that period, joining the frigate industry in Spain. They also had a person in Madrid investigating the opportunities for Powel's software solutions in the Spanish market. They saw that the Spanish market was better fitted to their products than the American market, but that the buying culture was difficult, and they decided to not make any further business in Spain. (Livik, 20.11.2012)

### 4.2.6 An IT-company from the Czech Republic contacts Powel

In 2000 Livik started in Powel working with the internationalization of the company, and at the same time Powel received a request from a small IT-company in the Czech Republic, PragoData, later NESS. Livik became the responsible for following up the partner. Powel and NESS signed a partnership contract, giving NESS the rights to resell Powel's Smart Metering (MDMS, Meter Data Management System) licenses, besides earning money on the services offered to the end client. During the years, NESS managed to sell to a handful of customers in the Europe, such as E.ON in Hungary, a German leading energy company. NESS and Powel are still doing business together. (Livik, 20.11.2012)

### 4.2.7 No further investments outside the home market

After the trial and error in US, but with the business with the Czech partner still going on, no further investments were done outside the borders of the home market until 2009, as the owners were focusing on expanding their business primarily in Norway, Sweden, and Denmark. In 2006, pursuing the opportunities of their Smart Metering solutions, Powel bought a company in Sweden. Also an Indian company in Bangalore asked Powel to join them in a partnership regarding their SM solutions. (Livik 20.11.2012)

Summarizing the internationalization history of Powel until 2009, Powel started out in the Norwegian market, quickly followed by Sweden, Denmark, Iceland, and the Faroe Islands.

Mainly offering SG and SmG, they soon became a market leader in their home market. Significant efforts were made in US, but Powel's software solutions and the American needs did not correlate. Investigations of possibilities in the Spanish market were executed, along with an Indian company with customers in the Middle East. None of these resulted in further business. The only business outside the home market still going on was the one with their Czech partner. Then, in 2009, Chile came up.

## 4.3 Powel enters Chile

After a long period solely focusing on the home market, the next international market commitment was Chile. How did such a leap come about? In this chapter, the occurrence of this new market will be described, providing the context of the initiation of the focal business relationship, being described in Chapter 4.4. The occurrence starts with a Norwegian energy company, SN Power, establishing business in Chile.

### 4.3.1 SN Power makes investments in Chile

In 2004, while Powel was concentrating on expanding their business in the home market, a Norwegian energy company, SN Power AS, initiated business in Chile. SN Power, originally Statkraft Nordfund Power Invest, was established in 2002 as a joint venture between Nordfund and Statkraft (snpower, 2012), the latter Powel's most important customer rooted from the SINTEF-time. Nordfund is a private equity company established by the Norwegian Parliament. As such, Nordfund receives its investment capital from the state budget, and have the mission to help developing countries fight poverty through supporting economic growth, employment, and technology transfer (nordfund, 2012). Being a renewable energy company investing in emerging markets, SN Power wants to contribute to economic growth and sustainable development (snpower, 2012).

Statkraft is wholly owned by the Norwegian state, and is the largest renewable energy company in Europe, generating hydropower, wind power, gas power, and district heating. It constitutes Norway's largest, and the Nordic region's third largest power producer. Statkraft is also the major player on a European energy exchange and is represented in more than 20 countries worldwide. Statkraft's history dates back to the development of hydropower generation in the 19$^{th}$ century, and together with SINTEF and NTNU contributed to significant improvements regarding the development of hydropower technologies. As a part of Statkraft, SN Power (SNP) has a strong foundation in owning and operating hydropower in

Norway (SN Power). Statkraft collaborates with several Norwegian and international companies, such as Norconsult and Powel, and various energy companies all over the world. SNP is mainly present in developing countries. (statkraft, 2012)

With rivers running from the Andes Mountains, Chile has significant hydropower resources. For that reason, in 2004, SNP headed for the construction of a hydro power plant in the Tinguiririca Valley south of Santiago in a partnership with the Australian energy company, Pacific Hydro. Pacific Hydro is one of the world's leading companies within renewable energy, and established offices in Chile in 2002, under the name Pacific Hydro Chile (PHC). Together with SNP, Pacific Hydro founded the private engineering company Tinguiririca Energia (TE) in 2004, as a joint venture equally owned by the two partners. (Birrell, 06.06.2012)

The construction of the first hydropower plant, La Higuera, began in 2005, and two years later the second hydropower plant, La Confluencia, was constructed. Being two big power plants with accordingly 155 and 380 MW connected to each other, the system had a potential for significant revenue achievement if optimized. (Aburto, 05.06.2012, Bigillon, 07.06.2012)

The previous operation manager in TE, Gabriel Troncoso, recollects the following about the need of optimizing the hydropower system:

*"I understood that in order to start operating these plants, we had to implement something that could optimize the system and make an efficient dispatch of the energy, considering that these two power plants were supposed to work together in a cascade, and, obviously, the revenues were to be maximized. We thought that a spread sheet could do the job, but we soon found out that it was not really easy to handle, and that we were not able to develop such a tool. So in 2009, the previous general manager in TE, myself, and some others in TE had a meeting with the shareholders. We asked them what they had used previously in their other systems in order to optimize revenue in this kind of cascade operation, with different conditions and variations, costs and operations"*. (Troncoso, 07.06.2012)

### 4.3.2 SN Power suggests SmG for optimizing the system

Even though not having direct experience with Powel and their products, some of the people working in SNP had previously worked in Statkraft, and thus knew about the Smart Generation solution Powel sold to Statkraft (Tangvik, 17.10.2012). As such, in the meeting with Troncoso and the previous general manager in TE, SN Power suggested TE to use SmG. The other part of the owners, Pacific Hydro, acknowledged the optimization issue of the

hydropower system, but since they did not have much experience from the hydropower industry, they did not have any experience with suitable solutions for such a case. However, they had previously used a consultancy firm, who they thought could provide some similar solutions, so they suggested TE to ask them. In addition, Gabriel Troncoso had just come back from a training program with Vattenfall in Sweden, and thought they, as one of the leading hydropower companies in Sweden, had a solution for optimizing hydropower production. Subsequently, TE asked the three companies; Powel, Pacific Hydro's consultancy firm, and Vattenfall for a technical proposal for their hydropower system in the Tinguiririca Valley. (Troncoso, 07.06.2012)

### 4.3.3 Tinguirica Energia asks Powel for a proposal

In March 2009, on the other side of the Atlantic Ocean, the premium seller of SmG, Nils Olav Tangvik, was called up by the previous general manager of TE. He asked whether Powel were interested in joining them on a pilot project in the Tinguiririca Valley, using the SmG as the system tool for optimizing the operation of the hydropower system. Tangvik started with the technical proposal by making models for the valley, showing the general manager that the software could provide them with significant income. (Tangvik, 17.10. 2012)

In a meeting in Oslo in February 2010 between the owners in Powel and the owners in SNP, a request for testing out SmG was formally put on the table. As a subsidiary of Statkraft, SNP requested an agreement with Powel based on the same conditions as the agreement between Statkraft and Powel. The next month, Powel sent a technical and economical proposal to SNP, allowing them to use SmG in the Tinguiririca project for the duration of the pilot period, which was set to six months. As requested by SNP, Powel proposed the agreement on the same conditions as the one to Statkraft, implying a significant discount. In return, Powel required that when the pilot is finished, and when TE had bought the license for the whole system, Powel could use TE as a reference customer in South America. (Aburto 05.06.2012; Tangvik, 17.10.2012,)

### 4.3.4 A contract between Powel and Tinguirirca Energia is signed

The work on the models for Tinguiririca Valley escalated, and the contact person shifted from the previous general manager in TE to Alfio Gutiérrez, a Peruvian engineer in TE, who, at that moment, was in SNP's offices in Oslo to learn "the Norwegian way". Tangvik and Gutiérrez established close contact, meeting each other frequently, both in Oslo and in Trondheim. Together they developed technical models, as a foundation of the technical

proposal that was supposed to be shown in Chile, to Troncoso, the CEO, and the owners of TE; Pacific Hydro and SNP. (Tangvik, 17.10.2012)

With a proposal from Powel in his hand and concrete models to show, Gutiérrez travelled down to Chile in the summer 2010 (Tangvik, 17.10.2012). TE also received a proposal from Pacific Hydro's previous consultancy firm, offering to develop a new system for them, whereas being told by Vattenfall that, opposed to what Troncoso thought, that they did indeed not have any software. Instead, Vattenfall recommended them to use the software systems developed by Powel, which they had been using since Powel's establishment in Jönköping in 1996. Receiving the technical proposal from Powel, fronted by SN Power's man Gutiérrez, TE realized that Powel had the best solution for optimizing their hydropower system. Additionally, they could continue to use SmG in the future. "*So from the decision point of view, and from the technical point of view, considering that we got these three visions of the problem, we went for the Powel products. And also because they promised us that Powel was going to give us a good deal, considering that they were working with Statkraft"*. (Troncoso, 07.06.2012)

In a meeting in Oslo in September 2010, attended by the owners in Powel and SN Power, the contract between Powel and TE was signed. The aim of the pilot was to test SmG with an internal spread sheet executed by people in TE. If the SmG proved to be better than the results they could provide internally with spread sheets, TE would buy the SmG license. The power plants were expected to be in operation by the end of 2010, and the duration of the pilot was set to six months, expiring in March 2011. In parallel with closing the activities in US, Gomnæs was given the responsibility for following up the agreement with TE. (Gomnæs 17.09.2012; Tangvik 17.10.2012)

### 4.3.5 Powel realizes that they need local presence in Chile

After the contract between Powel and TE was signed in September 2010, it does not take long time before Tangvik and Gomnæs experienced troubles with following up the close technical support needed when implementing the complex software solution at their new customer in Chile (Gomnæs, 17.09.2012, Tangvik 17.10.2012). "*Smart Generation is not a plug-and-play-product, it is a more one-to-one sale. Therefore, the customer is totally dependent on Powel expertise in order to implement the system and initiate a sale"* (Gomnæs, 17.09.2012). Further, Gomnæs explains that generally, the customer wants somebody that he can call, and

that he can be there the next day to help him. *"That will not happen between Norway and Chile. We are too few and too expensive"* (Gomnæs, 17.09.2012).

Talking with Tangvik, Gomnæs realized that Powel needed local presence in Chile, not only because to offer their client a satisfactorily expertise, but also because they needed somebody that could sell and offer services in Spanish. Even though their contact persons in TE spoke English, the ones that were going to use the software, the Chilean engineers and operators in TE, did not handle English at the same level. (Gomnæs, 17.09.2012) Additionally, Tangvik recollects that the difference in time zones was difficult to handle in practice; *"they worked when we were sleeping, and we worked when they were sleeping"* (Tangvik, 17.10.2012).

The addressed issues made Gomnæs to see the necessity of Powel to be locally present in Chile. Moreover, he also observed the increased investments SN Power did in South- and Latin-America. Perhaps there would be more business for Powel in South-America. Chile was a growing market, and Peru had significant water resources. However, establishing a subsidiary in Chile, as was done in US some years ago, was considered as too risky. Thus, Powel decided to search for a partner in Chile. (Gomnæs, 17.09.2012)

## 4.4 Powel contacts Norconsult Andina

Having explained the background for the appearance of the focal business relationship, this section describes the further process of Powel's business in Chile.

### 4.4.1 Gomnæs contacts a previous colleague in Norconsult

In November 2010, just two months after the contract was signed between Powel and TE, Gomnæs made a phone call to his previous colleague in Norconsult, Øyvind Engelstad, the general manager of Norconsult's subsidiary in Chile, Norconsult Andina S.A. (NCA). In the subsequent sections, Norconsult's background in Chile is presented.

#### *Norconsult's background in Chile*

Norconsult shares much of the same academic background as Powel, having the major part of their employees graduated from NTNU. Further, Norconsult has much experience from consulting in hydropower projects all around the world. Norconsult's involvement in Chile started in 1985, when they became engaged in a hydropower project in Alfalfal, east of Santiago. During the 1980s and 1990s, NC participated in various projects as consultants on power development projects in Chile, and all the projects were sold in by their local agent,

Pedro Pablo Errázuriz. Errázuriz was a person with much influence in Chile. He had a family-owned business, which today is owned by his youngest son Arturo Errázuriz. Errázuriz also helped other Norwegian companies into the Chilean market during the 1980s, during the period when Chile was governed by a military regime headed by Pinochet. (Gomnæs, 17.10.2012)

As the previous general manager in NC, Gomnæs frequently travelled to Chile during the 1980s and 1990s. Being at the approximately same age, Gomnæs and Errázuriz developed a close relationship. Errázuriz negotiated better agreements than Norconsult could do themselves, and as highlighted by Gomnæs, "*if not for him, Norconsult would never have been in Chile".* NC also worked with SN Power on a power development project in Chile in the 2000s, and based on the number of project works in Chile, NC established the subsidiary Norconsult Andina Chile S.A. (NCA) in Santiago in 2007. (Gomnæs, 17.09.2012)
As recollected by Engelstad, *"NCA actually got established because of SN Power"* (Engelstad, 05.06.2012)

Three years after the establishment of NCA, Øyvind Engelstad became the general manager in August 2010. Until then he had worked as hydropower engineer and geotechnical engineer in the mother company, as well as being a member of the board of directors of NC for five years. His career in NC started in 1996 when Gomnæs was still the general manager. It was only interrupted by a two years' period in Statkraft from 2008 to 2010, where he worked as a senior project manager in Albania and Montenegro, developing hydropower projects. In these projects SmG was utilized, and Engelstad gained specific, in-depth experience of the use of the software. (Engelstad, 05.06.2012)

### *Gomnæs calls Engelstad*

Having worked five years together in NC, it was relatively easy for Gomnæs to explain his intentions when calling Engelstad in November 2010, just three months after Øyvind Engelstad became the new general manager in NCA. In explaining how the relationship between Powel in Norway and NCA in Chile started, Gomnæs recollects: *"It was relatively easy to say to Øyvind, who recently had come back from Statkraft and became the general manager of NCA, that since he knew the SmG, he could try to integrate it into his portfolio down there. So actually, the relationship between Powel and Norconsult Andina is the relationship between Øyvind and me".* He further explains that the fact that Engelstad had

previous experience with using SmG made the process "to go easy". Additionally, he recollects; *"Øyvind is a propel. You need that"*. (Gomnæs, 17.09.2012)

In explaining the initiation of the business relationship between Powel and NCA, Engelstad recollects the following: *"Powel found out that we were here, and they envisaged that they needed a local actor. So Per Christian called me and asked me whether we could be interested in talking about an introduction of Powel SmG here in Chile, beyond what they already had started with TE. Because I have worked in the area of optimization of production in Statkraft, using the Powel SmG, I felt that I knew the product, and that it was possible to integrate it into our portfolio. As I knew Per-Christian from before, I felt that it was a relatively safe case. And he had an understanding of how complicated it could be to introduce such a product in a market"*. (Engelstad, 05.06.2012)

### 4.4.2 Benefits for NCA collaborating with Powel

At the time when Gomnæs called Engelstad, Engelstad was working with defining the business strategy of NCA in Chile. From the time NCA was established in Chile in 2007 and until that moment, NCA had primarily been offering engineering consultancy services on mining and underground work, basically in the construction and planning phase of a project. By integrating SmG into the portfolio, NCA could expand their activities area to include operation and maintenance. Engelstad recollects that he was interested in collaborating with Powel because he saw that SmG could strengthen NCA's product specter: *"One thing is to sell the product, which obviously is interesting for us, but SmG can also be a door-opener for us. Perhaps we can come closer to the decision makers in the customer organization and to the operation and maintenance part. If we can sell both SmG and our complementary product, JobTech, which is the part of our maintenance software, we will get a broader product specter. Thus, when Per- Christian contacted me, I thought this could be an opportunity"*. (Engelstad, 05.06.2012)

Additionally, NCA had previously been involved in the construction of one the tunnels in the Tinguiririca Valley. This was done in collaboration with SN Power on the hydropower plant La Confluencia. As such, people in NCA were already familiar with parts of the system TE was operating. (Arrieta, 07.06.2012; Engelstad, 05.06.2012; Pérez, 07.06.2012)

### 4.4.3 Powel and NCA explore the Chilean market

As reveled from the sections above, both Powel and NCA saw benefits from collaborating; Powel needed a local representative, and NCA wanted to broaden their business areas. However, Engelstad explained that he was worried that the Chilean market was too small for SmG. Thus, with the aim of exploring the potential market for SmG in Chile, Gomnæs and Tangvik visited Chile in March 2011. Together with Engelstad, they visited various local hydropower owners, as well as PHC. (Engelstad, 05.06.2012)

During the meetings with the companies, Engelstad, Tangvik, and Gomnæs realized that an introduction of SmG into the Chilean market would involve big challenges. The biggest hydropower plants were regulated by the CDEC-SIC, the state-owned system operator, meaning that the hydropower companies could not regulate their reservoir. Thus the use of SmG became less valuable, as there were no profits from short-term regulation. As previously explained in Chapter 4.2.1, this is one of the critical prerequisites for using SmG. Nevertheless, based on the meetings with the local hydropower owners, regarded as potential customer companies of SmG, the trio found a loophole; the so-called "run-of-the-river" producers could hold back the water some hours, up to one day. This meant that after entering their production for the next day to the system operator, the local hydropower companies could re-estimate and enter a correction. Thus, if using SmG, it could imply significant gains in revenue for their potential customer companies. This was in line with what Tangvik had showed to TE when developing the technical models. By allowing regulation, just even for a few hours, hydropower companies could increase their profits if using an optimization program. As such, there seemed to be a market for SmG in Chile. (Engelstad, 05.06.2012; Gomnæs, 17.09.2012; Tangvik 17.10.2012)

### 4.4.4 Powel and NCA discuss conditions to operate

Realizing the mutual benefits of a possible cooperation, Gomnæs and Engelstad started to discuss the conditions to operate together in the Chilean market. Just a few days after returning to Norway, Gomnæs sent Engelstad a proposal. *"Our challenge was to make it economical interesting for NCA. If they are able to make a SmG sale, it will be very favorable for them, in addition to all the services such a sale will generate"* (Gomnæs, 17.09.2012). In the proposal sent to NCA, Powel suggested that NCA would get 10 % of a SmG license sale, in addition to allowing them to charge for the consultancy services needed when helping the customer with the implementation and running of the software. In return, and in order to let

NCA resell their product, Powel demanded NCA to have four people in NCA who had to be competent on the use of SmG. (Gomnæs, 17.09.2012)

### 4.4.5 A power plant in the Tinguiririca system breaks down

At the same time as Powel and NCA discussed mutual benefits and conditions to operate, a generator in one of the two power plants in the Tinguiririca system, La Confluencia, broke down and a tunnel collapsed. The remaining hydropower plant was still running, but the destructions were fatal, and TE suffered significant losses. As a consequence, TE asked Powel to postpone the pilot-contract for an additional six months. Powel approved it on the condition that if TE was to approve the pilot, NCA would be their prime contact, offering them second line support. However, with only one of the two power plants operative, the use of SmG was no longer beneficial for TE, as the system was too simple. A spread sheet could do the same job. Nevertheless, the system was planned to be back in operation in September 2011. (Pérez, 08.06.2012; Aburto 05.06.2012; Tangvik 17.10.2012)

### 4.4.6 The business agreement is approved by the board of members in Norconsult

Despite the technical problems in TE, Engelstad and Gomnæs decided to continue with their plans for cooperating in Chile. In fact, the collapse of the tunnel in La Confluencia could give NCA the opportunity to help TE with constructing tunnel support and to get the hydropower plant back in operation. Additionally, Engelstad saw it necessary to succeed with consulting TE before moving over to other potential customers: *"We need a success story. The rumors go fast here. People switch positions, and if we do not get anything out of the TE, the market will get hold of it. If they have a good memory, people will say that they have seen us working with TE and ask us why we are not there any longer. Then, SmG will be totally uninteresting for them. We need them on the curriculum in order to sell more in the future".* (Engelstad 05.06.2012)

After receiving the proposal from Powel, Engelstad sent it to Norconsult to get it approved. In June 2011 Norconsult the proposal was approved, giving NCA the rights to resell SmG. (Engelstad, 05.06.2012)

### 4.4.7 NCA an Powel start the collaboration

Even though the contract was not yet signed, the work with Powel had already started with the intention that they were going to collaborate, and some of the employees in NCA started to learn the software. In parallel, NCA was engaged in other projects. Among them was the planning of a new hydropower system in Nido de Aguilas south of Santiago, headed by Pacific Hydro Chile (PHC), which is, as previously explained, the subsidiary of Pacific Hydro

and the owner of TE. PHC and NCA had several meetings, in which PHC introduced the idea of optimizing the system in Nido de Aguilas. Even though the contract between Powel and NCA was not yet properly signed, NCA had got approval from NC. Engelstad grabbed the opportunity of explaining to Rick Fletcher, the general manager of PHC, that they were collaborating with a Norwegian software company providing tools for optimizing such systems, and, if interested, NCA would help them with implementing this into their the system. Since the system to be constructed was complex, as well as enabling the possibility for some hours of regulation, Engelstad explained to Fletcher that they would benefit from using the software when planning their system. Additionally, when being in operation, the SmG would optimize the production, taken into regard all the eventual restrictions they would have to include. (Engelstad, 05.06.2012; Fletcher 05.11.2012)

Engelstad recollects that since they already had a relationship to PHC through previous projects some years ago, they utilized the situation to talk about a possible use of SmG: *"We knew that PCH was a part of TE, so it was natural that they would choose the same product as TE did. Moreover, PCH was becoming less involved in the Tinguiririca project, and they had forward leaning plans in Chile"*. Thus, From Engelstad's point of view, PHC was regarded as a second possible path they could follow besides from TE. A close relationship was established between Engelstad and Pablo Arietta in PHC, the project manager of the planned hydropower system in Nido de Aguillas. "*Pablo called me often, and I became an advisor on all sorts of things. You get a different relationship, a more personal one, when you are used as an advisor than just a deliverer of a "technical package solution"*. (Engelstad, 05.06.2012).

Also from PHC' side, they shown interest for using SmG in their system, with the expertise of NCA. PHC had good experience with NCA, and even though NCA's consultancy services were more expensive, NCA was regarded as particularly competent with highly valuable technical skills, which differed from other consultancy firms PHC had been in contact with. Similar to Engelstad, Arrieta also recollects a close relationship to Engelstad: *"One day I called Øyvind. At that time he was in Norway. I felt I had the confidence enough to call him and say that I wanted him to solve something for me. He took it very well. That direct link is so relevant."* (Arrieta, 07.06.2012)

### 4.4.8 The pilot between Powel and TE is postponed again

In September 2011 the pilot between Powel and TE is again postponed with an additional six months, as the work with straightening up the hydropower system was still ongoing. The work with modeling the system stopped, as they lacked data on the inflow to the system. Having asked TE for these data several times, without any feedback, Tangvik felt that TE was not prioritizing the gathering of the data needed to show the full effect of SmG. However, Tangvik recollects that "*..when all the water passes through, optimization is not the first you think of. SmG is like a dessert. You don't think of dessert when you don't have enough food on the table".* Powel therefore decided to not put more efforts on the project with TE until the hydropower system again was operative. (Tangvik, 17.10.2012)

Also Engelstad observed the challenges TE. *"They* [TE] *have not had barely any production. Powel needs more data, and besides, people are quitting in TE".* He further refers to the contact with TE as something challenging: *"TE is a flocculent case. Chairs are being replaced all the time, and they have had different project managers. It is difficult to know who you should deal with"*. (Engelstad, 05.06.2012)

Moreover, Engelstad refers to a case back in 2007, when Norconsult was found guilty in aiding corruption in a project in Tanzania (aftenposten). SN Power, the owners of TE, was financed by International Finance Corporation (IFC). Thus, SN Power would possibly keep them out of future projects, as they are prohibited to do business with partners found guilty in adding corruption. However, PHC is not financed by IFC, implying that PHC still was a possible path. (Engelstad, 05.06.2012)

### 4.4.9 The contract between Powel and NCA is signed

In September 2011, Engelstad travelled to Norway, and the contract was signed in a meeting between Powel and NCA. In the meeting, Gomnæs and Engelstad also discussed the possibilities for introducing SG with the NetBas module into the Chilean market, opening up for a second possible track to follow in Chile. (Engelstad, 05.06.2012; Gomnæs, 17.09.2012)

However, as the study merely concerns the relationship initiation process until a business agreement is reached, the empirical description stops here.

Summing up, this chapter has presented the empirical background of the relationship initiation process between Powel and NCA. Central milestones presented in this chapter are summarized in Figure 8 below.

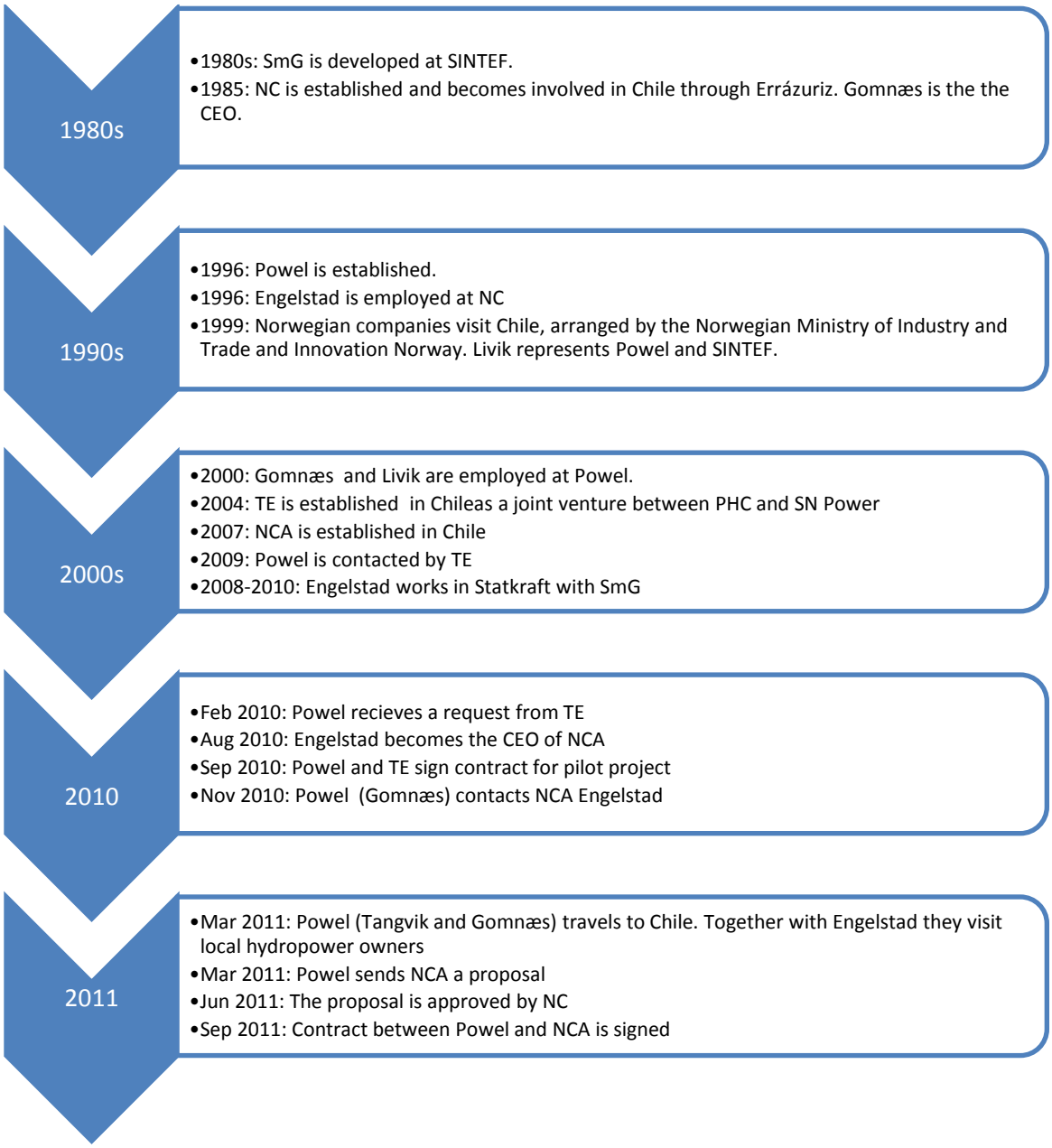



**Figure 8: Central milestones from the empirical description**

Based on the empirical descriptions, the subsequent chapter provides an analysis of the relationship initiation process between NCA and Powel in light of the conceptual framework.

# 5. Analyzing the business relationship initiation process between Norconsult Andina and Powel

This chapter provides an in-depth analysis of the relationship initiation process between Norconsult Andina (NCA) and Powel. The analysis is based on the empirical description presented in the previous chapter, in light of the conceptual framework presented in Chapter 2.6. As proposed in the introduction of this thesis, the focal unit of analysis is the relationship initiation process between the two companies, ending with a business agreement (that gave NCA the rights to resell Powel's software solution, SmG). As explained in Chapter 3, the analysis is fairly extensive. The findings are summarized in Chapter 5.4 and Chapter 5.5, revealing the most important findings for the subsequent discussion.

## 5.1 Explanation of the reporting structure of the analysis

The reporting structure of the analysis follows the conceptual framework presented in Chapter 2.6. As such, it starts with describing the relationship initiation process in light of the conceptual model suggested by Edvardsson et al. (2008). As described in Chapter 2.3, each status in their model represents how the buyer company regards the seller company in its closeness to the agreement. Applying this logic, Powel may be regarded as the seller company, whereas NCA may be regarded as the buyer company. After all, Powel *sold* NCA the rights to resell SmG. Even though the latter did not buy the software, the integration of it into their product portfolio will imply costs for NCA linked to consultancy services to potential end customers. Hence, following the conceptual model for what it has been constructed for, the analysis starts by a description of the relationship initiation process *seen NCA's perspective*, presented in Chapter 5.2.

After analyzing the relationship initiation process in terms of its statuses, the analysis aims to describe what factors that have influenced the process. As the conceptual model developed by Edvardsson et al. (2008) appears to consider these factors to be present in the shift from one status to another, that is, in the transitions, the analysis also follows this structure when studying possible factors that have influenced the process. The factors are divided into *third actors* and *other factors*. As this study is particularly aimed at explaining the first group, a particular attention will be paid to identify and explain the third actors and how they have influenced in the process. The factors are regarded as influencing in the transitions of the process in terms of their forces.

In terms of explaining the third actors' embodiments, Aarikka-Stenroos' (2011) categorization of third actor types and their network position is used. Their nationality is not repeated, but rather summarized and shortly explained in the last two sub-chapters.

The structure of the analysis is illustrated in Figure 9 below.

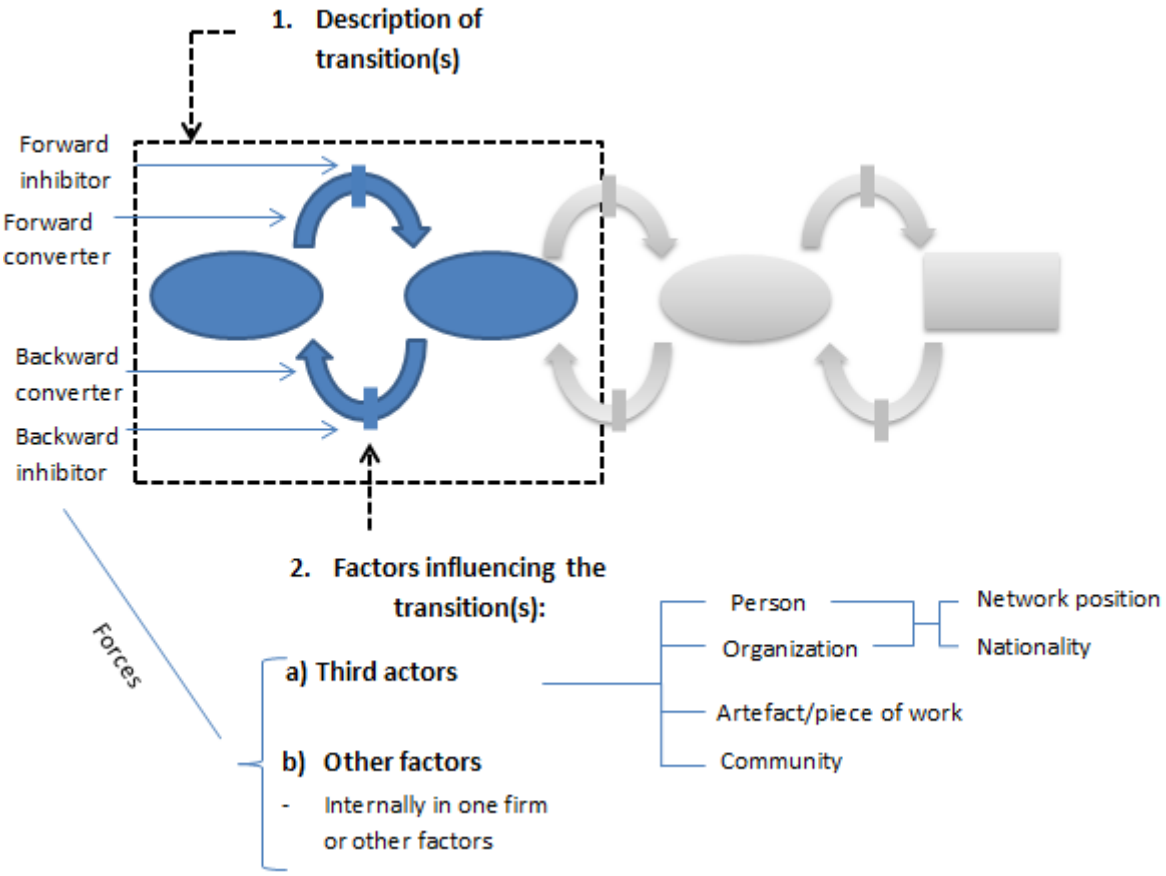



Figure 9: Structure of analysis reporting

If following the conceptual model by Edvardsson et al. (2008) for what it was constructed for, the analysis would have stopped here. However, considering that the relationship initiation process is between two parties, interesting results may be found when including the view of the seller. Edvardsson et al. (2008) does actually suggest that the awareness of the mutual business opportunities could be two-sided. This opens up for analyzing the process also from the seller's point of view; that is, from the perspective of Powel. Besides, previous theory on business relationships suggests that either of the two parties may take the active part in the business relationship (Håkansson, 1982). Hence, the analysis procedure is repeated from *Powel's perspective*, presented in Chapter 5.3. In Chapter 5.4 the two perspectives are compared.

## 5.2 The relationship initiation process seen from NCA's perspective

As revealed from the empirical description, NCA explains that the relationship to Powel started when a representative from Powel called them, asking whether they were interested in helping them to introduce SmG to the Chilean market. Just recently arriving from Statkraft where he had used SmG as a part of the projects, the general manager in NCA already knew the software from before. Hence, Powel, with their particular software, was already recognized when the phone call was made.

This may appear to be the "logic" start of the business relationship between NCA and Powel. However, if looking at the history before the phone call, the business relationship between Powel and NCA may have started many decades ago. Looking back in history, though, implies a period of time before NCA was established; when they still was a part of NC's business activities in Chile. Thus, before the subsidiary was established in 2007, the focal business relationship may indeed be regarded as the relationship between Powel and Norconsult. As such, when considering the time before 2007, the analysis is based on the relationship between Powel and NC.

### 5.2.1 Powel becomes recognized for the first time

When looking at the history, the focal business relationship may actually be regarded as started in the status unrecognized, that is, when the parties did not yet recognize their mutual business opportunities. Possible connections between Powel and NCA may be traced back to even before 1985 when NC was established, to an indefinite time, as both NC and Powel are consolidations of technology engineers, many of these with roots from NTNU and SINTEF. Consequently, *people* in Powel and NC may have had a "general awareness" of each other due to their common academic roots without recognizing the future collaboration opportunities.

In 1999, it appears as the two companies for the first time met each other in the specific business setting for SmG in Chile, when several Norwegian companies, among them SINTEF, represented by Livik, travelled down to Chile under the auspices of the Norwegian Government. NC was also present in the arranged meetings. As such, it is possible that NC recognized Powel during this setting as a potential business partner on hydropower, to which Powel provided software solutions.

However, the meetings revealed that the Chilean power market, as the rest of the Chilean market systems, was still premature for Powel's software solution. Chile did not have a

properly developed deregulation of their power market. Consequently, it appears that there was not coming anything more out from the meetings, and the process may be regarded as regressing back to the status unrecognized. Nevertheless, as they had met in a specific setting, NC probably kept their "specific awareness" of Powel and their software solution.

### *Third actors influencing the "two" transitions*

#### Third actors as persons

##### *Pedro Pablo Errázuriz*

From the empirical description presented in Chapter 4, Pedro Pablo Errázuriz, the Chilean engineer, researcher, and business man, helped NC to enter Chile in the 1980s. If not for him, NC would probably never have been in Chile in the first place, and consequently Powel and NC would not have met each other in 1999-setting. Thus, Errázuriz can be regarded as a forward converter, in terms of influencing a forward shift of status. During the 1980s and 1990s, Errázuriz was a business acquaintance of NC, and he had particularly good contact to Per-Christian Gomnæs. As such, he was horizontally linked to NC, characterized by a close cooperation with many similarities to a friendship, as revealed from the empirical description.

#### Third actors as organizations

##### *NTNU*

*Because of* NTNU, NC has probably always had a general awareness of Powel. Through its activities in education and research on hydropower, NTNU has been a common academic platform for the two parties to get to know each other. Knowing that Powel, like themselves, have roots from NTNU, could therefore have helped NC to verify Powel's academic capabilities and skills, without necessarily having met all the employees. As such, NTNU may be regarded as a forward converter, in terms of helping NC to recognize Powel and their capabilities. Additionally, NTNU may also be regarded as an inhibitor *within* the status unrecognized, in terms of hindering NC to completely "forget" Powel. Although NC could stop recognizing Powel as a business partner in a specific business area, they would probably not become completely unaware of the company, due to their common university background. As a Norwegian educational institution, NTNU represents a center of knowledge and expertise, implying a horizontal network connection to NC.

##### *SINTEF*

Similar to NTNU, SINTEF can also be regarded as a common academic platform for Powel and NCA. Additionally, SINTEF was actually represented by their employee Klaus Livik, in

the meetings arranged in Chile in 1999. If SINTEF had chosen to not support the trip, NC would probably not have recognized Powel as early as in 1999. Thus, SINTEF may be regarded as a forward converter from the status unrecognized to recognized. Being a Norwegian research organization, SINTEF represents much of the same characterizations as NTNU. They can thus be regarded as horizontally linked to NC.

#### *The Norwegian Government*

If not for the invitation sent out to the Norwegian companies, Klaus Livik, representing SINTEF, would probably not have travelled down to Chile, at least not as early as 1999. As such, the Norwegian government, represented by the Norwegian Ministry of Industry and Trade and Innovation Norway, seems to have facilitated the forward conversion in terms of creating a specific event for the two companies to get to know each other in a special setting. The meetings and seminar were particularly arranged for Norwegian companies to explore the business opportunities in Chile. With this in regard, the Norwegian government seems to have influenced the forward conversion of status. The Norwegian government may be regarded as horizontally linked to the Norwegian government, as representing a non-profit organization.

#### *The Chilean Government*

The Chilean Government has influenced the process as in terms of facilitating the two companies to recognize each other, due to their support and participation in the meetings arranged in 1999. Therefore, they may be regarded as a forward converter in the first transition in terms of enabling the meetings to take place. However, and simultaneously, they also influenced the Chilean market to be regarded as unattractive, hindering the two companies to reap mutual benefits. Consequently, in the first transition, the Chilean government may as well be regarded as a forward inhibitor, hindering Powel and NC to meet in Chile *before* 1999. Additionally, the Chilean government may be regarded as a backwards converter, in terms of making NC to regard the Chilean market as unready for Powel and their software solutions, which appears to be visible as a part of the "second" transition, making a regression back to the status unrecognized. As representing a non-profit organization, the Chilean government may be regarded as horizontally linked to NC.

### Third actors as communities

#### *The Norwegian hydro power community*

Norway has a long history in the hydro power sector. As illustrated in the empirical description, the Norwegian hydro power community is small and informal, including representatives from Powel and NC. As such, the community may be regarded as source to

information sharing between the two parties, thus influencing the process as a forward converter. For the same reasons as for NTNU, they may also be regarded as a backward inhibitor *within the status unrecognized*, influencing NC to not completely "forget" Powel and their technologies, as the community is continuously informing their "members" of new technologies and other developments. Being an informal group of hydro power engineers and researchers, the community may be regarded as horizontally linked to NC.

### *Other factors influencing the two first transitions*

#### *Country risk*

Considering that NC probably had been aware of Powel for many decades, and that NC had been present in Chile for fourteen years before Livik's visit, it is perhaps odd that the recognition of Powel as a possible business partner did not happen until 1999. A possible explanation for this "delay" is that NC regarded Chile as not yet ready for such software solutions, as the country just had come out of a thirty years military regime, still developing their infrastructure and economy on a general basis. Thus, the country risk linked to doing investments in Chile may be seen as a force inhibiting NC to recognize Powel, as well as influencing the process backwards, in terms of making the business relationship staying in the status unrecognized. Consequently, the country risk involved with investing in business in Chile may be regarded as a backward converter as well as a forward inhibitor.

Figure 10 below illustrates the factors found to have influenced the two transitions analyzed in this section.

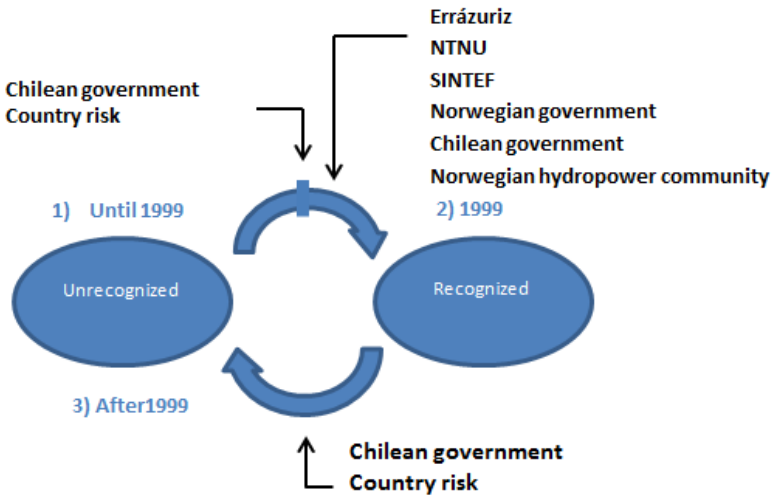



Figure 10: Transitions between Powel being unrecognized and recognized

As illustrated in the figure, several third actors seem to have influenced the first transition, whereas in the second, only two factors have influenced the process to regress. First, the Chilean Government and the country risk involved with investing in Chile made a "delay" in the recognition of Powel, which was first to come in 1999. However, despite these forward inhibitors, a movement from unrecognized to recognized was a result of the forward converting force exerted by several third actors, including the Chilean government. Simultaneously, the Chilean government, together with the deemed country risk, were influencing as backwards converters, which seems to have made the process to regress back in status.

### 5.2.2 Powel becomes recognized for the second time

Almost a decade after the meetings in Chile in 1999, Powel seems to become re-recognized. In 2007, NCA became established as a subsidiary of NC in Chile. In the period between 2008 and 2010, Øyvind Engelstad, a previous employee in NC, worked for Statkraft. Working with Smart Generation in hydropower projects in the Balticum, he gained specific knowledge of the software solution. Engelstad became the general manager of NCA in August 2010, and he probably knew about his pending managerial position some time ahead. Based on his many years of experience within NC as a company, and his working experience with using Powel's software, it can be assumed that Engelstad, during his work in Statkraft, became aware of NCA's potential opportunities of collaborating with Powel. Powel was again back in the status as a recognized partner.

#### *Third actors influencing the transition*

Third actors as persons

*Øyvind Engelstad*

By acknowledging the mutual possibilities in terms of a possible cooperation between Powel and NCA, Øyvind Engelstad, the Norwegian engineer and to-become-CEO of NCA, appears to be the one who actually moved the relationship forward in status. Hence, he can be regarded as a forward converter. However, this awareness was first transferred to NC when he was employed here in August 2010. In the period of the transition, that is, between 2008 and 2010, Engelstad may be regarded as a third actor representing Statkraft. As Norconsult delivers services to Statkraft, thus representing a customer relationship, Engelstad may be regarded as vertically linked to NCA at that point in time.

Third actors as organizations

*Statkraft*

Having bought the license of SmG from Powel, Statkraft enabled Engelstad to learn the program. Thus, Statkraft may be regarded as a forward converter. Representing a customer organization, Statkraft may be regarded as vertically linked to NCA.

Third actors as a piece of work

*Engelstad's previous work with SmG*

If Engelstad had not gained experience with using SmG at Statkraft, he would probably not have recognized the possible corporation opportunities between NCA and Powel, at least not at that point in time. Hence, Engelstad's previous work with SmG may be regarded as a forward converter.

The factors present in the re-recognition of Powel are summarized and illustrated in Figure 11 below.

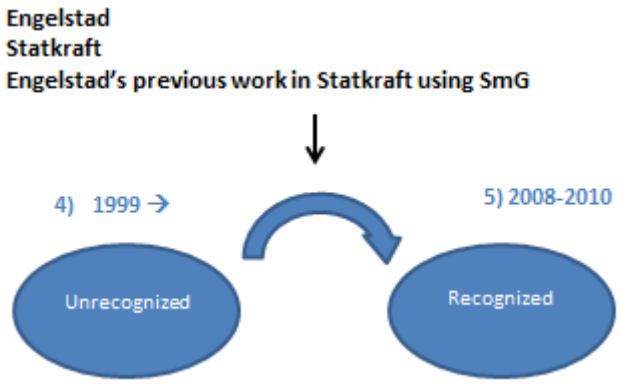



Figure 11: Transition between Powel being unrecognized and recognized second time

As illustrated in the figure above, there seems to have been three forward converting forces, whose sum made NCA to re-recognize Powel and their mutual business opportunities.

### 5.2.3 Powel becomes considered

When Per-Christian Gomnes called Engelstad in November 2010, only two months after Powel signed the contract with TE, and three months after Engelstad became the new general manager, it appears as NCA considered Powel and their mutual benefits of cooperating together. Since their first recognition of Powel in 1999, NCA had been involved in several hydro power projects in Chile. Also SN Power had done big investments in constructing hydropower plants, among them the hydropower plant in the Tinguiririca Valley, in which NCA became involved in the underground works, employed by TE.

In the phone call, Gomnæs presented Powel's intentions, as well as possible benefits for NCA if they decided to be their local partner in Chile. As previous colleagues in NC, Engelstad felt safe that Gomnæs had the skills needed for entering a market which was regarded as challenging, and the fact that he knew SmG, made him feel safe about NCA's capabilities for reselling the software solution. Further, Engelstad saw the opportunities of introducing SmG into their portfolio of products and business solutions. By reselling SmG, NCA could help the customer not only in the construction phase of a hydropower project, but also in the maintenance phase.

### *Third actors influencing the transition*

#### Third actors as organizations

##### *SN Power*

Since NCA was supposed to offer expertise to TE if the contract between Powel and NCA became established, knowing their owner from previous projects may have made NCA to feel more confident in providing services to TE. Accordingly, SN Power may be regarded as a forward converter. As SN Power is a customer company of NCA, they are vertically linked to NCA.

##### *Tinguiririca Energia (TE)*

NCA already knew TE from a previous project, when they had been engaged in underground works in the Tinguiririca Valley. Knowing the company from a previous project seems to have made NCA surer about initiating a relationship to Powel. Consequently, TE may be regarded as a forward converter. As a customer company, TE is vertically linked to NCA.

#### Third actors as artifacts or piece of work

##### *Gomnæs' and Engelstad's previous work together in NC*

Even though it seems as Engelstad already had recognized Powel and their software product a couple of years ahead, it is not certain that he would have considered Powel further, if not for Gomnæs' call. Having previously worked together, this may have established trust. Thus, Engelstad's and Gomnæs' previous work together in NC may be regarded as a forward converter in terms of making NCA shifting from just recognizing to considering Powel.

##### *Engelstad's previous work with SmG*

Having experience with the software, Engelstad felt relatively confident on his and his company's capabilities of reselling SmG. Hence, Engelstad's previous work with SmG in Statkraft seems to have influenced the transition as a forward converter.

### *NCA's previous work in Tinguiririca*

Having previously worked in the Tinguiririca Valley, engaged by TE, NCA already knew the hydropower system that they probably were going to provide services to, if a contract between NCA and Powel was signed. Knowing the system would make it easier for NCA to provide consultancy services to TE. Consequently, NCA's previous work in the Tinguiririca Valley may be regarded as a forward converter.

### *Powel's contract with TE*

The signed contract between TE and Powel may be regarded as a concrete symbol that there was work to be done if a business agreement between NCA and Powel was to become established. Powel had, after all, indicated that they would need help from NCA to support TE. Consequently, the contract may be regarded as a provider of concrete evidence of future work. Consequently, the contract may be regarded as a forward converter.

## *Other factors influencing the transition*

### *Management skills at Powel*

Working with international business development in the management team in Powel, Gomnæs, in terms of his skills, probably influenced Engelstad to consider Powel as their partner. Gomnæs' broad experience with international business development at NC may have made Engelstad feel more confident of Powel's capabilities. Having headed NC for fifteen years, Gomnæs had significant insight in the Chilean market. As revealed from the empirical description, this made Engelstad to feel that it was a safe case to enter, since Gomnæs knew how difficult it eventually could be to introduce such software into the Chilean market. Therefore, Gomnæs's skills seem to have influenced the process as a forward converter.

Figure 12 below illustrates the factors that have been regarded as influential in the transition between the statuses recognized and considered.

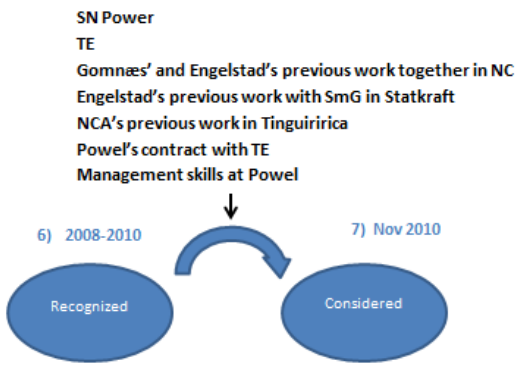



Figure 12: Transition between Powel being recognized and considered

As illustrated in the figure above, several forward converters seem to have influenced the forward transition of status, of which sum made Powel to proceed in status, from just being recognized to being considered.

### 5.2.4 From considered to signing the business agreement

After Engelstad received the phone call from Gomnæs in November 2010, the two former colleagues continued the contact, discussing conditions and benefits of the cooperation. However, Engelstad was still unsure about how ready the Chilean market was for SmG, and it did not make it better when hearing about the technical breakdowns in Tinguiririca. The breakdowns implied that the implementation of SmG in the system would be postponed, meaning that TE would not be interested in consultancy services from NCA. Thus, the prospect of NCA as a consultant for TE was uncertain. Nevertheless, the breakdowns in the valley could actually give NCA work in terms of helping TE to reconstruct the underground work.

Nonetheless, the uncertainty was present, and to clear up this, Gomnæs and Tangvik went to Chile in March 2011 to evaluate the Chilean market and its readiness for SmG together with Engelstad. In their meetings with the Chilean hydropower plant owners and PHC, the trio verified their expectations about the market's "unreadiness" for SmG. Chilean hydropower companies were regulated by the state-owned system operator, CDEC-SIC, meaning that they could not regulate their reservoir, and thus the use of SmG became less valuable. However, Powel and NCA, together with the local hydr power companies, found a loophole for SmG. The run-of-the-river producers could, despite of being strictly regulated, hold back the water for some hours, implying a significant increase of income for the companies. As such, they agreed upon that there was, after all, a market for SmG in Chile, and they decided to give it a try.

Short time later, Powel sent a proposal to NCA, and three months later the proposal was approved by NC. Now, the contract only needed the signatures of NCA and Powel to be legally valid. However, Engelstad was still uncertain about how much sales that could be realized in Chile, especially to TE, who not only still was suffering from technical breakdowns, but TE was also regarded as an unstable company, and, additionally, they were owned by SN Power. NCA feared that SN Power was influenced by the corruption case in Tanzania, in which NC had been brought a charge against. As a state-owned company, SN Power is forbidden to do business with companies found guilty in corruption. Consequently,

SN Power would probably be hindered in doing future business with NC. Even though NCA had not been involved in that case, they are still a subsidiary of NC, and thus, SN Power may not be able to collaborate with NCA either. Being partly owned by SN Power, TE could then be hindered from buying services from NCA. However, Engelstad knew that NCA and Powel were dependent on making a "success story" with TE before eventually proceeding to other customers in Chile, as the rumors in the Chilean hydro power community circulates quickly.

At the same time, NCA was engaged in projects with PHC, the other part owner of TE. Concurrently as the proposal was getting approved by NC, PHC, represented by Pablo Arrieta, showed interest in doing an optimization of their planned hydro power plant. Thus, if the work with TE did not succeed, there were possibilities of reselling SmG to PHC. The contract between Powel and NCA was signed in September 2011.

### *Third actors influencing the transition*

#### Third actors as persons

##### *Pablo Arrieta*

By putting forward PHC's need for an optimization tool, Arrieta indicated a need for consultancy services in providing such, giving hope for future business. Hence, Arrieta may be regarded as a forward converter. As representing the customer company PHC, Arrieta can be regarded as vertically linked to NCA.

#### Third actors as organizations

##### *CDEC-SIC*

The Chilean power market, including all power producers, is regulated by the state-owned system operator CDEC-SIC. Not allowing hydropower companies to regulate their reservoirs, CDEC-SIC made it difficult for NCA and Powel to actually sell SmG in Chile. Due to this, Powel and NCA became uncertain of their possibilities of introducing SmG to the Chilean market. Consequently, CDEC-SIC may be regarded as a forward inhibitor, hindering NCA and Powel in proceeding towards a business agreement. The state-owned organization may be regarded as horizontally linked to NCA, as it is a non-profit organization.

##### *Local hydropower owners*

From the meetings with the local hydro power owners, it was revealed that there was, in fact, a market for SmG in Chile, and the companies showed a clear interest in using the software in the future. As such, they indicated possible future need for a software solutions like SmG. Verifying that there was a potential market for SmG, the energy companies made NCA to

establish a belief in a business with Powel, reaping benefits for them both. Therefore, the local hydropower owners may be regarded as a forward converter. Some of the local hydropower companies are already existing customers of NCA, others are customers of customers, thus representing a vertical link to NCA.

#### *Pacific Hydro Chile (PHC)*

By showing particular interest in the optimization solution, PHC may be regarded as giving promises of future business of reselling SmG. Revealed from the empirical description, PHC already knew about Powel through TE, and as such had incentives for using the same software. Consequently, PHC may be regarded as a forward converter. Further, as being an existing customer, PHC may be regarded as vertically linked to NCA.

#### *Tinguriririca Energia (TE)*

The technical troubles TE had in their hydropower plants, as well as the perceived instabilities internally in the company, made NCA doubt TE as a potential customer. TE made the future prospect for NCA unclear, increasing the risk of not being able to make sales in Chile. Consequently, TE may be regarded as a forward inhibitor. Nevertheless, and somewhat controversial to what was recently explained, TE may also be regarded as a forward converter. As previously described, TE's technical problems could also provide work for NCA.

#### *SN Power*

As being owned by the Norwegian government, SN Power is forbidden by law to do any business with companies found guilty in corruption. Noting this, NCA became uncertain of their possibilities of doing any further business with SN Power, and thus TE, in the future. Consequently, SN Power may be regarded as a forward inhibitor.

### Third actors as artifacts or piece of work

#### *NC's corruption case*

The corruption case, as an outcome of a previous project work at NC, may be regarded as an artifact and as a forward inhibitor for the process. Even though NCA was not involved in the corruption, the judgment implied that NCA would probably be hindered in doing any business with SN Power and perhaps TE as well, making the future possibilities for selling SmG dubious.

#### *Gomnæs' and Engelstad's previous work together in NC*

As revealed from the description of the transition, Gomnæs' and Engelstad's previous work together made Engelstad to feel confident in entering the business agreement, and may thus be regarded as regarded as a forward converter.

#### *Engelstad's previous work with SmG*

Engelstad's experience and knowledge of SmG made Engelstad to feel relatively confident on NCA's capabilities of reselling the software solution. Similar to the previous transition, this piece of realized work may be regarded as a forward converter.

### Third actors as communities of third actors

#### *The hydro power community in Chile*

As previously described, NCA regarded it as critical to succeed in their work with TE, as rumors circulates fast. From NCA's point of view, they felt the community's ability of word spreading as a potential threat. This seems to have made NCA unsure about the collaboration with Powel, who clearly showed that they wanted TE as reference customer. As such, the community may be regarded as a forward inhibitor.

## *Other factors influencing the transition*

#### *Complementary technologies*

As revealed from the empirical data, NCA regarded SmG as a complementary to their own software solution, JobTech, giving an opportunity of offering both systems to the potential client. Consequently, the complementary technologies may be regarded as a forward converter.

#### *Country risk*

As described, Engelstad was uncertain about the Chilean market readiness for SmG. Thus, the country risk involved with investing in this business may be regarded as a forward inhibitor in terms of reaching the business agreement.

Figure 13 below illustrates the factors regarded as influential for the transition from considered to business agreement.

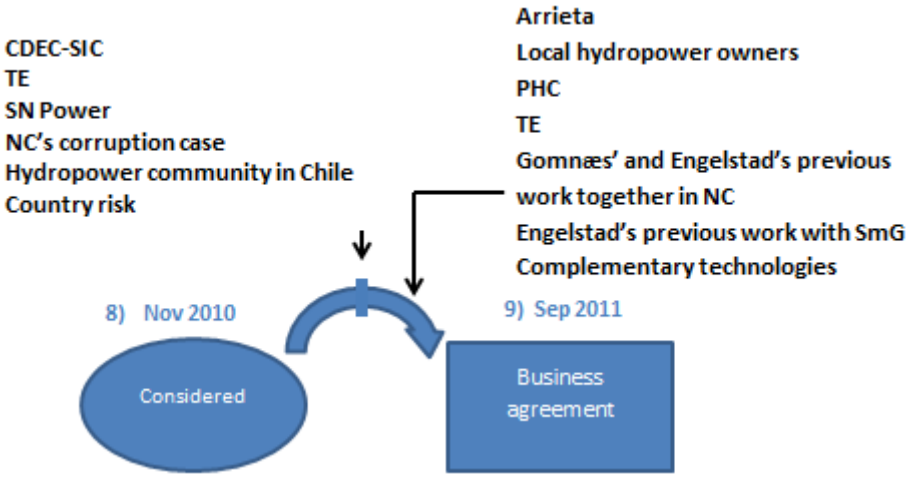



Figure 13: Transition between Powel being considered and signing business agreement

As illustrated in the figure above several forwards converter and forward inhibitors have influenced the transition from Powel being considered until a business agreement was signed ten months later.

Summing up, this sub-chapter has presented the relationship initiation process from NCA's perspective. In the subsequent sub-chapter, the process is seen from Powel's point of view.

## 5.3 The relationship initiation process seen from Powel's perspective

With the same procedure as used when analyzing the relationship initiation process seen from NCA's perspective, this sub-chapter describes the same process, but now seen from the other side of the table. As for NCA, Powel describes the process as started when Gomnæs called Engelstad in November 2010, due to the need of a local partner in Chile. However, by looking into the history a deeper understanding could be obtained regarding how this business relationship appeared in the first place. Similar to what was found when analyzing the process from NCA's perspective, the relationship between Powel and NCA seems to have started many decades ago. Accordingly, this period mainly concerns the business relationship between NC and Powel. As some events and factors are the same for the two perspectives, these are not described as extensively as previously.

### 5.3.1 NCA becomes recognized for the first time

Concerning Powel's first recognition of NCA, the history seems to be quite similar to the one described from NCA's perspective. This in terms of Powel and NC having a long common academic history, and that Powel probably recognized NCA, at that time NC, when visiting Chile in 1999. Similar to what was revealed from NCA's perspective, after the visit, Powel regarded Chile as a limited and premature for SmG, which made Powel to no longer recognize NC as an attractive business partner.

#### *Third actors influencing the first "two" transitions*

Third actors as persons

*Klaus Livik*

The Norwegian engineer Klaus Livik was the representative of SINTEF and Powel when travelling down to Chile in 1999. If not for Livik, Powel and SINTEF would not have been represented, and consequently Powel would probably not have recognized NC in 1999. Therefore, Livik can be regarded as having a forward converter. Even though working for Powel today, Klaus Livik was in 1999 working for SINTEF, and thus he can be regarded as a third actor in terms of representing a research community, indicating a horizontal link to NC. His experiences from the visit were later transferred to Powel, when he started to work here in 2000. Livik may be regarded as an expert, implying a horizontal connection to Powel.

*Hugh Rudnick*

During his visit, Livik met one of the most respected and outstanding Chilean professors within power markets and renewable energy, Hugh Rudnick. In his presentations, he claimed that Chile had a deregulated power market, but through the conversations with him, Livik saw

that Chile, in fact, was strictly regulated, at least compared to the North-European deregulation model. Consequently, Livik realized that the Chilean market was too limited and premature for SmG. Rudnick may thus be regarded as a backward converter, influencing Powel to no longer recognize NC as a potential business partner in that particular setting. Representing an expert, Rudnick may be regarded as horizontally linked to Powel.

### Third actors as organizations

#### *NTNU*

Similar to what was found from NCA's perspective, NTNU may be regarded as a forward converter by constituting a common academic platform. As an educational institution, NTNU is horizontally linked to Powel.

#### *SINTEF*

Similar to what was found from NCA's perspective, SINTEF may be regarded as a forward converter. Being a research organization, SINTEF represents a group of experts, and may therefore be regarded as horizontally linked to Powel.

#### *The Norwegian Government*

The Norwegian government can, as for NCA, also here be seen as an influential third actor from Powel's perspective, in terms of facilitating the events in Chile in 1999, and thus regarded as a forward converter. Representing a non-profit organization, the Norwegian government is horizontally linked to Powel.

#### *The Chilean Government*

A for NCA, the Chilean government seems to have facilitated in the events in 1999, and thus may be regarded as a forward converter. However, they are also regarded as backward inhibitor in the first transition, hindering the two companies to meet in the specific setting before, and as a backward converter in the second transition, by being the "responsible" for Chile being regarded as risky. The Chilean government represent a non-profit organization, and may thus be regarded as horizontally linked to Powel.

#### *Pontificia Universidad Católica de Chile (PUC)*

During his stay in Chile in 1999, Livik visited the Chilean university Pontificia Universidad Católica de Chile (PUC) to learn about the Chilean power market. Here he met Rudnick, who previously has been presented. The meeting with the university environment in Chile made Powel to realize that Chile was not a fruitful market for SmG, making NC to not regard any

further business with NC. Consequently, PUC may be regarded as a backward converter. Representing an organization of experts, PUC represent a horizontal connection to Powel.

Third actors as communities of third actors

*The Norwegian hydro power community*

As for NCA, the Norwegian hydro power community may be regarded as a sharer of information, influencing as a forward converter. Representing an informal group of hydro power engineers and researchers, the community may be regarded as horizontally linked to Powel.

### *Other factor influencing the transitions*

*Country risk*

As for NCA, the country risk in investing in Chile could also from the perspective of Powel be seen as a forward inhibitor in the first transition, and as a backwards converter in the second transition, by making the Chilean market unattractive for Powel to involve themselves in business in Chile.

The factors regarded as influential in the two first transitions are illustrated in Figure 14 below.

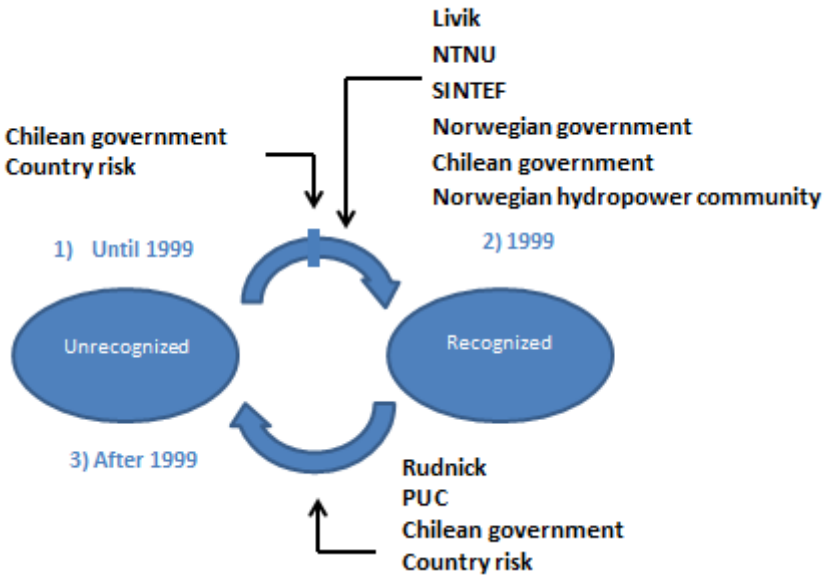



Figure 14: Transitions between NCA being unrecognized and recognized

Summarizing the factors' influence on the transitions, the Chilean government and the deemed country risk of doing business in Chile, appear to have slowed down the process of

Powel to recognize NC until 1999. After being recognized, NC went back to being unrecognized again, as a consequence of the sum of the exerting forces.

### 5.3.2 NCA becomes recognized for the second time

So far, the relationship initiation process from the two perspectives appears to be fairly similar. However, a new recognition of NC possibly already happened the year after, in 2000, when Per-Christian Gomnæs was engaged by the owners of Powel to help them out with the internationalization of the company. Having the background as the previous general manager in NC, Gomnæs knew the Chilean market, the capabilities of NC in Chile, and the eventual business opportunities for a potential cooperation between Powel and NC. However, Gomnæs had a five years agreement with NC, and beside from US and the Czech Republic, the owners were primarily focusing on expanding in the home market. Thus it seems as the process fell back to the status unrecognized. Nonetheless, even though Chile was not regarded as a market of current interest, Gomnæs probably kept his "specific awareness" of NC, later NCA, as a potential business partner.

#### *Third actors influencing the transition*

Third actors as persons

*Per-Christian Gomnæs*

In 2000 and five years ahead, Gomnæs was working for Powel while having a five years' contract with NC. Consequently, he may be regarded as a third actor in this period. Heading NC from 1985 to 2000, Gomnæs had built up knowledge, experience, and a contact network in Chile, and he probably saw eventual business opportunities for a potential cooperation between Powel and NC. Thus, Gomnæs may be regarded a forward converter. In the time of the transition, Gomnæs may be regarded as an expert, horizontally linked to Powel, consulting Powel in internationalization.

Third actors as artifacts

*Gomnæs' 5 years' agreement with Norconsult*

Due to confidential issues, the agreement probably prevented Gomnæs to reveal sensitive information about NC, making a possible collaboration with NC difficult. Therefore, the agreement seems to have influenced as a backwards converter, making NC to fall back in status.

### *Other factors influencing the transition*

#### *Lack of internationalization support from Powel's owners*

As presented in the empirical description, the owners of Powel had mainly focused on expanding in the home market until 2009. The lack of support regarding to internationalization outside the Scandinavian borders mat be regarded as a backward converter making NCA to fall back to unrecognized.

Figure 15 below illustrates the factors regarded to be influential in the transition.

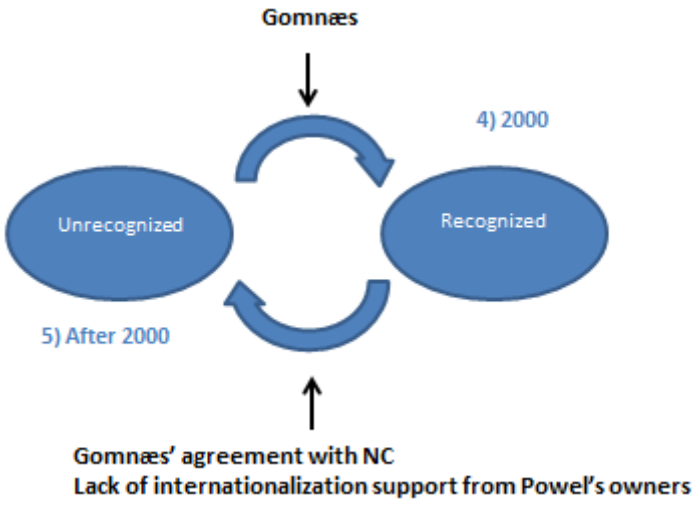



Figure 15: Transition between NCA being unrecognized and recognized second time

As indicated in the figure above, a new recognition of NC came in 2000 by the employment of Gomnæs. However, Gomnæs' agreement with NC and the lack of support from Powel's owner regarding the internationalization of the company, made the process fall back to the status unrecognized.

### 5.3.4 NCA becomes recognized for the third time

NCA stayed in the status unrecognized until a need of a partner in Chile was raised nine years later. The need arose in connection to the project in the Tinguririca Valley, which was to become the introduction of Powel and their software solution SmG in Chile. In March 2009, Powel was contacted by TE, requesting a technical proposal for the optimization of their hydropower system, advised by their owner, SN Power.

As seen from the empirical description, Powel's experience from previous internationalization attempts seems to have affected their recognition of the necessity of a local *partner*. With their attempts to establish offices in US, resulting in economic losses, and the good-working business with their Czech partner, they probably realized that being represented in Chile

through a partner would be the way to go, if a business between TE and Powel was to become realized. With Gomnæs' knowledge of NCA, and this time with a support from the owners, NCA became recognized for what to be seen as the third time. However, this time it appears that they were not falling back in status.

### *Third actors influencing the transition*

#### Third actors as organizations

##### *TE*

The recognition of Powel's need of a local reseller of SmG in Chile rose when Powel became engaged by TE in the optimization of a hydropower system in the Tinguririca Valley. By creating a need for a local partner, TE may be regarded as a forward converter. Additionally, they may be regarded as a backward inhibitor. Having addressed a need for a local partner such as NCA, hindered Powel to "unrecognized" NCA. As TE represent a customer relationship, their link to Powel is vertical.

##### *SN Power*

SN Power was the one who actually encouraged TE to use SmG, and if not for them, it is not certain whether TE would have contacted Powel in the first place. Consequently, Powel would not have recognized their need of a local partner in Chile. Accordingly, SN Power may be regarded as a forward converter. As the owner of TE, and being owned by their customer Statkraft, SN Power may be regarded as vertically linked to Powel.

##### *Statkraft*

TE was informed by SN Power that they could get a discount on the SmG license, as Statkraft already had a comprehensive agreement with Powel. Additionally, because Statkraft was already an existing customer of Powel, Statkraft may have established trust, vouching for TE. Accordingly, Statkraft may be regarded as a forward converter. As a customer company, Statkraft is vertically linked to Powel.

### *Other factors influencing the transition*

#### *Experience from previous internationalization attempts*

Powel's previous attempts on internationalization appear to influence Powel to search for a partner. Shown from their experience with their Czech partner, a partner seemed to work better than direct entry by establishing offices. Accordingly, Powel's experience from previous internationalization may be regarded as a forward converter. Simultaneously, Powel's experience from previous internationalization attempts in US may also have

influenced Powel to not get involved in business physically far away from their home market, as this appeared to not work. Consequently, this factor may also have influenced the process in the other direction, as a backwards converter.

### *Internationalization support from the owners in Powel*

With the change in ownership in 2009, the focus and support on internationalization was increased. This augmentation in support may have influenced the process to progress in status, and may thus be regarded as a forward converter.

### *Gomnæs' prior work experience in NC*

In 2009, when the re-recognition of NCA happened, Gomnæs was employed at Powel, and may thus not be regarded as a third actor. However, his previous work experience in NC influenced NCA to be recognized, and may thus be regarded as a forward converter. At the same time, Gomnæs' work experience and knowledge about NC may be regarded as a backward inhibitor, in terms of hindering the process to regress back in status. When first recognizing NCA's presence and capabilities, of which Powel needed partner, it became hard to forget them.

In Figure 16 below, the regarded influential factors for the transition are illustrated.

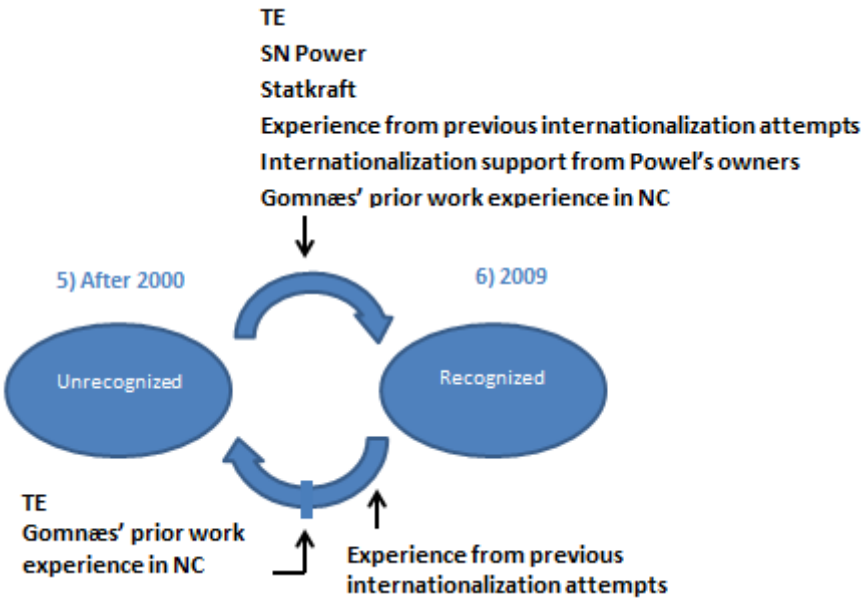



Figure 16: Transition between NCA being unrecognized and recognized for the third time

As indicated in the figure, several forward converters can be seen as well as a couple of backwards inhibitors, which sum made the process to progress forward in status.

### 5.3.4 NCA becomes considered

From the time TE contacted Powel and nearly one year ahead, the collaboration between Powel and TE was not so intensive, in fact, Powel experienced that it was fluctuating, as TE appeared to be unstable. Consequently, Powel became uncertain about TE and their future business in Chile. However, a change was to come when SN Power, the part owner of TE, proposed a technical request in the meeting with Powel in Oslo in February 2010. Powel better understood what TE wanted, and when Alfio Gutiérrez in TE became their new contact person, things were getting more established and clear. Gutiérrez and Tangvik, who was the responsible for developing the models to TE, built a close relationship.

However, Powel experienced the collaboration between Powel and TE to be challenging due to differences in time zone and languages, and the capabilities of their local partner became clear; they had to be located near TE in Chile, speak Spanish, and Norwegian. Having offices in Santiago, speaking the languages required, and with a long history of consulting hydropower projects in Chile, NCA appeared competent. Additionally, Powel saw that SN Power was engaged in significant investments in Chile. With this in regard, it became certain that they would need a local partner if the contract between Powel and TE was signed, as there could be more business in Chile.

#### *Third actors influencing the transition*

Third actors as persons

*Alfio Gutiérrez*

When Gutierrez became involved, he may be regarded as a forward converter in the process as he increased the likeliness of establishing the contract between TE and Powel, and thus the likeliness of using NCA as a local partner. Representing a customer company, Gutierrez link to Powel is vertical.

Third actors as organizations

*Tinguiririca Energia (TE)*

TE may be regarded as a forward converter in terms of creating a need for a local partner. However, TE appears to additionally have influenced the process backwards, as Powel regarded TE as unstable. Consequently, TE may also be regarded as a backwards converter.

*SN Power*

SN Power may have established trust of future business in Chile, and may thus be regarded as a forwards converter.

#### *Statkraft*

Being the owner of SN Power, Statkraft may have influenced Powel's willingness to cooperate with TE, and accordingly the need identification of a local partner. Consequently, Statkraft may be regarded as a forward converter.

### Third actors as artifacts or piece of work

#### *Gomnæs' and Engelstad's previous work together in NC*

Due to Gomnæs' and Engelstad's previous work together in NC, Powel knew the capabilities of NCA, feeling more secure about their potential as local partner. Hence, their previous work may be regarded as a forward converter.

#### *Engelstad's previous work with SmG*

As presented in the empirical description, knowing that Engelstad had previously worked with SmG in Statkraft appeared to influence Gomnæs to pick up the phone and suggest for Engelstad their mutual business opportunities. Thus, Engelstad's previous work with SmG may be regarded as a forward converter. Additionally, may have influenced the process as a backward inhibitor, hindering Powel to not consider them.

#### *NC's previous work in Chile*

Having a long history of participating in various hydropower projects in Chile during the 1980s, 1990s, and 2000s, NC' previous work in Chile appears to have influenced as a provider of concrete evidence of NCA's capabilities, legitimizing Powel's consideration of NCA as a competent business partner. Thus, NC's previous work in Chile may be regarded as a "real" symbol for the intangible work consultancy services tend to be. Consequently, it may be regarded as a forward converter.

#### *The contract between Powel and TE*

The contract between Powel and TE may be seen as concrete symbol for the need of a local partner, and the reason for what actually mad Powel to consider NCA. Thus it may be regarded as a forward converter.

### *Other factors influencing the transition*

#### *NCA's local presence*

The fact that NCA was present in Chile, having established offices very close to SN Power and TE, may have influenced Powel's consideration of choosing NCA as their local Consequently, NCA's local presence may be regarded as a forward converter.

*Management skills at NCA*

Characterized as a "propel", which Gomnæs regarded as necessary in terms of the challenges connected to the introduction of SmG in the Chilean market, the management skills in NCA may be regarded as a forward converter.

The regarded influential factors in the transition from NCA being recognized to considered, are illustrated in Figure 17 below.

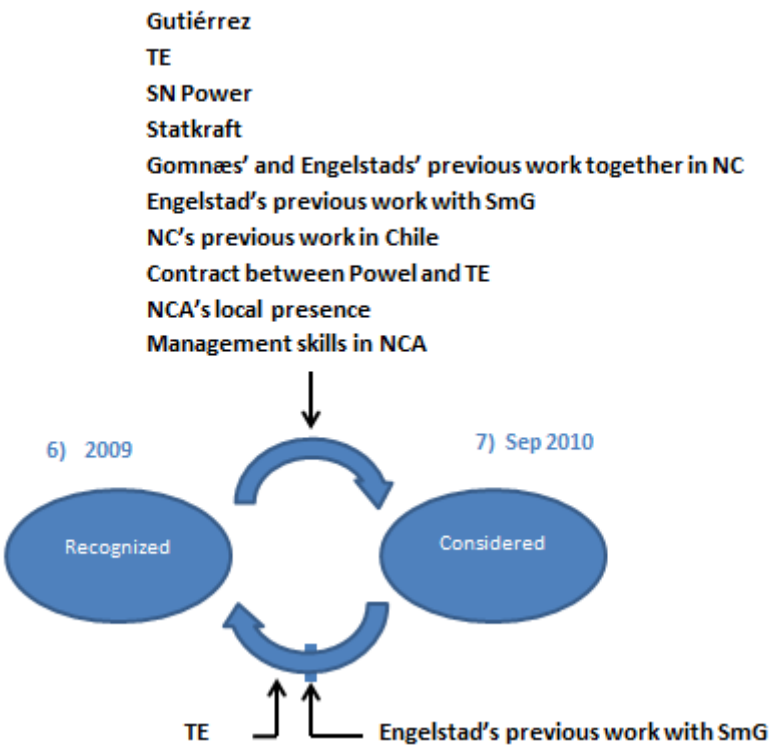



Figure 17: Transition between NCA being recognized and considered

As indicated in the figure above, a couple of backwards converters have been regarded as present in the transition of NCA from being recognized to considered, while several forwards converters and backwards inhibitors are seen. In sum, they resulted in a forward transition for Powel recognizing NCA to considering NCA as their local partner in Chile.

### 5.3.5 From considered to signing the business agreement

Powel felt uncertain of TE's capabilities and willingness to offer them the data needed to prove that SmG was better than their own optimizations based on spreadsheets. However, the contract between Powel and TE was signed in September 2010, and Gomnæs and Tangvik decided to ask NCA about their interest in a possible collaboration, being their local partner in Chile. Just a month earlier, Engelstad had become the new general manager in NCA, and

acknowledging his experience with SmG, Gomnæs felt more certain that NCA could be a good partner. Additionally, Gomnæs was a previous colleague from NC during the 1990s, making Gomnæs to feel that it was a safe in collaborating with NCA. Being eager and enthusiastic, Gomnæs knew that Engelstad had the capabilities needed for handling a relatively difficult market. Two months later, Gomnæs called Engelstad, presenting his intentions and the mutual possibilities for cooperating in terms of introducing SmG to the Chilean market. From here, the process is much the same as the one described from NCA's perspective; Gomnæs and Tangvik went to Chile to consider the opportunities of SmG, Powel sent a proposal, the proposal was approved by NC, and the two companies signed the contract in September 2011.

### *Third actors influencing the transition*

#### Third actors as organizations

##### *Tinguirirca Energia (TE)*

Due to the technical troubles TE had in their hydropower plants and their unwillingness to give Powel the inflow data needed, TE may be regarded as a forward inhibitor. Nevertheless, TE may also be regarded as a forward converter, since they clearly showed the need for having a local actor, offering them the expertise needed.

##### *CDEC-SIC*

As for NCA, the Chilean system operator CDEC-SIC may be regarded as a forward inhibitor, hindering NCA and Powel in proceeding towards a business agreement by regulating the power market. Representing a non-profit organization, CDEC-SIC is horizontally linked to Powel.

##### *SN Power*

Being the owner of TE, and revealing their intentions of future investments in Chile, SN Power may be regarded as a forward converter.

##### *Local hydropower owners*

A loophole for SmG was found in the meetings with the local hydro power owners in Chile, and consequently, the local hydropower owners may be regarded as a forward converter. Representing potential customers for Powel, and existing customers of NCA (thus customer's customers), the local hydropower owners in Chile may be regarded as vertically linked to Powel.

Third actors as artifacts or piece of work

*Gomnæs' and Engelstad's previous work together in NC*

Also here, Gomnæs' and Engelstad's previous work together made Gomnæs to feel confident in entering the business agreement with NCA. Hence, Gomnæs' and Engelstad's former work together in NC may be regarded as a forward converter.

*Engelstad's previous work with SmG*

Making Gomnæs feeling confident on NCA's capabilities, Engelstad's experience and knowledge of SmG may be regarded as a forward converter towards reaching the business agreement.

### *Other factors influencing the transition*

*Management skills at NCA*

Engelstad's skills were regarded as necessary for the introduction of SmG to the Chilean market, and may thus, as for the previous transition, be regarded as a forward converter in the transition between considered and business agreement.

The factors regarded as influential in the transition from NCA being considered until the business agreement was reached, are illustrated in Figure 18 below.

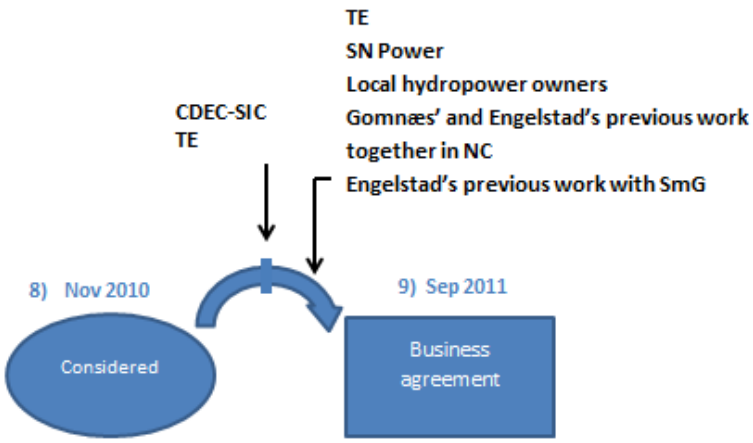



Figure 18: Transition between NCA being considered and business agreement signed

As illustrated in the figure above, the sum of the exerting forces resulted in the business agreement to be signed.

Summing up, this sub-chapter has analyzed the relationship initiation process between Powel and NCA from Powel's perspective. In the subsequent sub-chapter, the two perspectives are compared.

## 5.4 Comparing the two perspectives

The previous two sub chapters have described the relationship initiation process between Powel and NCA from both perspectives of the relationship. Figure 19 below shows the two processes along a time line as well as the factors present in the shifts between the three statuses until a business agreement is reached. As illustrated in the figure, factors in the multiple shifts between the status unrecognized and recognized have been placed together. Factors listed in the middle are common factors for the two perspectives, whereas those listed above the mid-line are merely seen from NCA's perspective, and those listed below are merely seen from Powel's perspective.

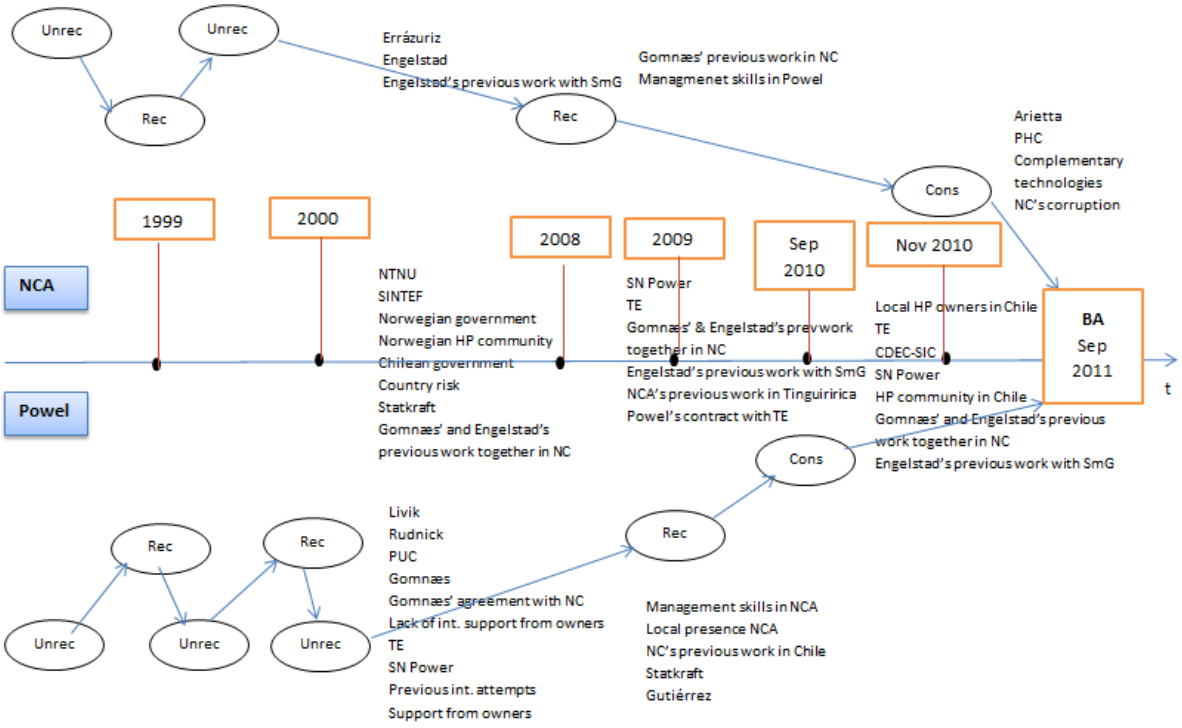



Figure 19: Comparing the process from the two perspectives

As illustrated in the figure above, the merging of the two perspectives indicates several findings in terms of the possible nature of the relationship initiation process, as well as the appearance of factors considered to be influential in the. The findings are presented accordingly:

In terms of the **relationship initiation process**, the process may have started in the status unrecognized as a part of a mutual history, seen from both perspectives. The two process patterns are converging as the closeness to the business agreement decreases, in which they end up simultaneously in time, in September 2011. Further, they both reveal a dynamic

relationship initiation pattern from start to stop. However, the two patterns differ in terms of when, and how often, the transitions appear: Powel's process jump back and forth between the two first statuses more often and for a longer time than NCA's process; NCA recognizes Powel before Powel recognizes NCA; and the shift between recognized to considered came before, and went faster for Powel than for NCA. Thus, it appears to be a time delay between the two processes; first NCA is ahead of Powel in terms of recognizing their mutual business opportunities, but when it comes to an actual consideration of realizing them, the situation turns to the opposite, and Powel is ahead.

In terms of the **factors' influence on the process**, it appears as the amount of factors increases as the closeness to the business agreement decreases. As the factors from the multiple transitions are mutated in Figure 21, this tendency is not clearly illustrated in the figure. However, the factors listed between unrecognized and recognized actually represent the sum of the previous transitions from NCA and Powel's perspectives, which is roughly the same for the two next that do not contain more than a single transition. Further, the figure indicates that some factors are considered as influential from both perspectives, whereas others are merely considered as influential from either of the perspectives. Of the factors in the latter group, it seems as Powel acknowledges more factors in the start of the process (until recognized), whereas NCA acknowledges more factors at the end of the process (until business agreement).

In the subsequent section, the factors are divided into third actors and other factors, and findings are revealed when analyzing their regarded forces on the process, seen from the two perspectives.

## 5.5 Comparing the influencing factors across perspectives

In the previous sub-chapter, the two perspective of the relationship initiation process were compared over time, but without any indications on how the factors influencing the process differ from each other, without describing them as common and non-common. In this sub-chapter, findings when comparing the factors across perspectives are presented; first when solely looking at third actors, and subsequently when looking at other factors found to be influential for the process' dynamism. The findings are presented in terms of tables, and will be summarized at the end of this section.

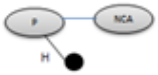
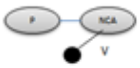
### 5.5.1 Comparing the third actors

Following the analysis reporting structure, this section presents the findings of third actors according to their type; as persons, organizations, artifact/piece of work, and communities.

#### *Third actors as persons*

Seven persons were found to influence the relationship initiation process. Table 2 below illustrates the empirical findings upon their nationality (deducted from the empirical description), network position, and their regarded force from the two perspectives respectively.

Table 2: Third actors as persons

| Person | Nationality | Position in network | Force in transition | | | Perspective |
|---|---|---|---|---|---|---|
| | | | Unrec-Rec | Rec-Cons | Cons-BA | |
| ***Errázuriz*** | Chilean |  | → | | | NCA |
| | | | | | | Powel |
| ***Livik*** | Norwegian |  | | | | NCA |
| | | | → | | | Powel |
| ***Rudnick*** | Chilean |  | | | | NCA |
| | | | ← | | | Powel |
| ***Gomnæs*** | Norwegian |  | | | | NCA |
| | | | → | | | Powel |
| ***Engelstad*** | Norwegian |  | | | | Powel |
| | | | → | | | NCA |
| ***Gutiérrez*** | Peruvian |  | | → | | Powel |
| | | | | | | NCA |
| ***Arrieta*** | Chilean |  | | | | Powel |
| | | | | | → | NCA |

As indicated in the table, most of the third actor persons are either Norwegians or Chileans, vertically or horizontally linked to merely one of the firms, and they are found to be regarded from merely one of the two perspectives. They are mainly present in the first transition, between unrecognized and recognized, and influence the process as forward or backward converters.

### *Third actors as organizations*

A total of eleven organizations were found to be influential for the relationship initiation process. Table 3 below illustrates the findings of third actor organizations according to their nationality, network position and regarded forces from the two perspectives. Additionally, as it was indicated in the empirical description, the organizations also differed in terms of their country of presence, whether they were present in Chile at the point of time considered, and their international experience, whether they had business experience in other countries than the country of origin. Accordingly, these two dimensions are included in Table 3.

Table 3: Third actors as organizations

| Organization | Nationality | Country of localisation | International experience | Position in network | Force in transition | | | Perspective |
|---|---|---|---|---|---|---|---|---|
| | | | | | Unrec-Rec | Rec-Cons | Cons-BA | |
| NTNU | Norwegian | Norway | No |  |  | | | NCA |
| | | | | |  | | | Powel |
| SINTEF | Norwegian | Norway | No |  |  | | | NCA |
| | | | | |  | | | Powel |
| Norwegian Government | Norwegian | Norway | No |  |  | | | NCA |
| | | | | |  | | | Powel |
| Chilean Government | Chilean | Chile | No |  |  | | | NCA |
| | | | | |  | | | Powel |
| Pontificia Universidad Católica de Chile (PUC) | Chilean | Chile | No |  | | | | Powel |
| | | | | |  | | | NCA |
| Statkraft | Norwegian | Norway | Yes |  |  |  | | Powel |
| | | | | |  | | | NCA |
| Tinguiririca Energia (TE) | Australian/ Norwegian | Chile | No |  |  |  |  | Powel |
| | | | | | |  |  | NCA |
| SN Power | Norwegian | Norway + Chile | Yes |  |  |  |  | Powel |
| | | | | | |  |  | NCA |
| Pacific Hydro Chile (PHC) | Australian | Chile | Yes |  | | | | Powel |
| | | | | | | |  | NCA |
| Local hydropower owners | Chilean | Chile | Yes |  | | |  | Powel |
| | | | | | | |  | NCA |
| CDEC-SIC | Chilean | Chile | No |  | | |  | Powel |
| | | | | | | |  | NCA |

As illustrated in the table above, the organizations are either Norwegina, Chilean, or of other nationality (Australian or mixture of Australian and Norwegian). Further, among half of them are present in Chile, where the future business is supposed to take place, and four out of the eleven have international experience. The majority of the organizations are horizontally or vertically linked to both NCA and Powel. However, as indicated in the table, their exerting forces on the process, as well as the distribution of frequency, differ somewhat from the two perspectives. This will be further elaborated at the end of this sub-chapter.

### *Third actors as artifact or piece of work*

Three artifacts and five realized pieces of work have been found as influential for the relationship initiation process, illustrated according to their regarded forces from the two perspectives in Table 4 below.

Table 4: Third actors as artefacts or piece of work

| Artefacts and piece of work | Force in transition | | | Perspective |
|---|---|---|---|---|
| Artefact | Unrec-Rec | Rec-Cons | Cons-BA | |
| *Gomnæs' agreement with NC* | | | | NCA |
| | ← | | | Powel |
| *Powel's contract with TE* | | → | | NCA |
| | | → | | Powel |
| *NC's corruption case* | | | → | NCA |
| | | | | Powel |
| Piece of work | | | | |
| *Engelstad's previous work with SmG in Statkraft* | | →<br>← | → | Powel |
| | → | → | → | NCA |
| *Gomnæs' and Engelstad's previous work together in NC* | → | → | → | Powel |
| | | → | → | NCA |
| *Gomnæs' prior work experience in NC* | →<br>← | | | Powel |
| | | → | | NCA |
| *NCA's previous work in Tinguiririca* | | → | | Powel |
| | | → | | NCA |
| *NC's previous work in Chile* | | → | | Powel |
| | | | | NCA |

As indicated by the table above, third actors presented through artifacts and piece of realized work are basically regarded with the same type of forces from the two perspectives. Except from Gomnæs' agreement with NC, they are regarded as factors positively influencing the process in terms of exerting forward converting or backward inhibiting forces.

### *Third actors as communities*

Two types of communities of thirds were found to influence the relationship initiation process, as illustrated in Table 5 below.

Table 5: Third actors as communities

| Communities | Nationality | Force in transition | | | Perspective |
|---|---|---|---|---|---|
| | | Unrec-Rec | Rec-Cons | Cons-BA | |
| ***Norwegian hydropower community*** | Norwegian | → | | | NCA |
| | | → | | | Powel |
| ***Hydropower community in Chile*** | Chilean | | | → | NCA |
| | | | | → | Powel |

As presented in the table, from both perspectives, the Norwegian hydropower community was regarded as a forward converter in the first transition, whereas the hydropower community in Chile (consisting of both Chilean and other international hydropower companies), was regarded as a forward inhibitor in the last transition.

Summing up the findings presented in the four tables, interesting findings are revealed when looking at the third actors' type of influence, their network connections to the companies, and their nationality, country of presence, and international experience.

In terms of **third actors' influence** on the relationship initiation process, the tables reveal the following findings: First, third actors can influence in one or more transitions, in which they can have the same or different force. Second, the force of the third actors can be the same or different for the two perspectives. Third, in each transition, the third actor can have one or more types of forces. Among the types of third actors, organizations appear to have the most contradictory forces. For example, TE is regarded as a forward converter and backward inhibitor in the transition between unrecognized and recognized seen from Powel's perspective. This means that Powel regards TE as positively influencing the process. In the

next transition, between recognized and considered, Powel regards TE as both positively and negatively influencing the process, in terms of being a forward converter, addressing the need for a local partner, at the same time as being a backward converter, due to their technical problems and regarded internal instabilities. On the other side, NCA merely regards TE as positively influencing the process as a forward converter. In the final transition of the process, between considered and business agreement, TE is regarded with similar forces from both perspectives; as a forward converter and as forward inhibitor. However, even though they regard TE with the same force, their reasons behind differ; NCA regards the technical problems in TE as an opportunity for future work, whereas Powel regards TE's addressing need for a local actor as a forward converting force.

In terms of **third actors' network connections**, the Table 2 and Table 3 indicate the following tendencies: First, horizontally linked third actors in general are more present in the start of the process, between the statuses unrecognized and recognized, whereas vertically linked third actors are more frequently present at the end of the relationship initiation process, in the two last transitions. Second, third actors as organizations tend to be common for the two focal companies, whereas third actors as persons tend to be non-common. Third, when combining the two dimensions, horizontally, commonly-linked third actors are more frequently present in the start of the process, whereas vertically, commonly-linked third actors are particularly present at the end of the process.

In terms of the **third actors' nationality, country of presence, and international experience**, Table 2 and 3 indicate two interesting findings considering third actors' nationality: First, Norwegian third actors are more frequently present in the start of the process, that is, in the transition between unrecognized and recognized, whereas Chilean and third actors of other nationality are more frequently present at the end of the process, in the two last transitions. Second, Norwegian organizations and persons more positively influence the relationship initiation process than organizations and persons that are Chilean or of other nationality. Considering the two other dimensions, Table 3 suggests two findings: First, organizations with international experience are frequently more present during the whole relationship initiation process than those without international experience, independent of their nationality. Second, in the beginning of the process, Norwegian companies in Norway and Chilean companies in Chile are particularly present. As the closeness to the business agreement decreases, companies in Chile with international experience are particularly present, independent of their nationality.

### 5.5.2 Comparing other factors present in the process

Having presented the findings considering third actors, this section presents findings considering other factors that have been regarded as influential for the process from the two perspectives. Eight factors were found, illustrated in Table 6 below.

Table 6: Other factors

| Other factors | Force in transition | | | Perspective |
|---|---|---|---|---|
| | Unrec-Rec | Rec-Cons | Cons-BA | |
| *Lack of internationalization support from Powel's owners* | | | | NCA |
| | ← | | | Powel |
| *Experience with previous internationalization attempts* | | | | NCA |
| | ⇄ | | | Powel |
| *Internationalization support from Powel's owners* | | | | NCA |
| | → | | | Powel |
| *Management skills at Powel* | | → | | NCA |
| | | | | Powel |
| *Management skills in NCA* | | | | NCA |
| | | → | → | Powel |
| *Complementary technologies* | | | → | NCA |
| | | | | Powel |
| *Country risk* | ⇄ | | → | NCA |
| | ⇄ | | | Powel |
| *NCA's local presence* | | → | | Powel |
| | | | | NCA |

As indicated in the table above, a variety of factors, ranging from internal support and internationalization experience, to country risk and local presence were found to be influential for the relationship initiation process, mainly regarded from either of the two perspectives.

Summing up Chapter 5, the analysis of the empirical findings suggest that a dual perspective approach reveal that the relationship initiation process pattern, as well as those factors regarded as influential in the process, may differ from the two perspectives of the dyad. Further, third actors and other factors influencing the process may vary in type, force, and frequency. Based upon the empirical findings from the study presented in this chapter, the subsequent chapter provides a discussion when combining the findings with theory.

# 6. Discussion

Based on the empirical findings of the relationship initiation process between Powel and NCA presented in the previous chapter, this chapter provides a discussion of the findings in light of the theory presented in Chapter 2. The first three sub-chapters provide a discussion of the empirical findings related to the three research questions of the study, and upon this, a new, conceptual model of international business relationship initiation processes is suggested in Chapter 6.4. Here, the differences from the conceptual framework presented in Chapter 2.7 are highlighted. In the subsequent sub-chapters, the study's contributions to the research area is elaborated, first in terms of the conceptualization used as a part of the framework, and thereafter in terms of theoretical contributions in the disciplines of internationalization, business relationships, and networking. Finally, a short discussion upon the international dimension of the focal business relationship is presented, questioning the degree of how international the relationship actually is.

## 6.1 Characteristics of the relationship initiation process

Related to the first research question, this section aims to discuss the nature of the relationship initiation process, based on the findings from the analysis, concerning the start and stop of the process, what happens in between, and forces influencing the dynamism of the process.

### 6.1.1 When does a business relationship start?

As revealed from the analysis presented in the previous chapter, *the initiation process may start before the two parties of the business relationship becomes organizations*. Both NCA and Powel regarded their relationship as started when they recognized the mutual opportunities of doing business together; when the director for international business development in Powel called the general manager in NCA due to the need of a local partner in Chile. Nevertheless, the analysis suggests that the business relationship between Powel and NCA may be traced back many decades ago, to a time when Powel and NCA still were parts of their mother companies (SINTEF and NC respectively), indicating that two parties' common history may have an effect on the later development of the relationship initiation process.

Given that the focal business relationship started in the status unrecognized, as designated in the section above, the findings from the analysis indicate that *the two companies may go through levels of increased awareness, one-sided or two sided, when still being in the status unrecognized*. Although not yet recognizing their mutual business opportunities, the companies *started with a general awareness of each other*, presumably due to their common

academic platform from NTNU and SINTEF. With a general awareness, the two companies may be aware of their general opportunities of doing mutual business, although not exactly how. With the visit in Chile in 1999 arranged by the Norwegian government, the focal companies seem to recognize their mutual business opportunities. However, the time was not right for introducing SmG into the Chilean market, and thus they fell back to unrecognized again. Nevertheless, they did not fall all the way back to general awareness. Having met each other in a specific market setting of hydropower, facilitated by the Chilean and the Norwegian government, they probably kept that *specific awareness* of each other. This finding may indicate that there are three possible levels of awareness within the status unrecognized; *unawareness*, *general awareness*, and *specific awareness*. Even though this study only found sub-levels in one status, it may indicate an existence of more levels within the statuses recognized and considered.

### 6.1.2 The process in between: A result of seeing the process from a dual perspective

The findings from the analysis confirmed that *the relationship initiation process is highly dynamic in nature*. The relationship initiation process between Powel and NCA jumped back and forward between unrecognized and recognized several times before progressing further. Moreover, the relationship appeared to stay in certain statuses for a longer time than for others. This was particularly seen for the status unrecognized, where both stayed for several years, whereas they only stayed in the status considered for a few months.

Further, the dual perspective approach suggests that *the two parties of the business relationship do not necessarily have a synchronized process pattern towards the business agreement*. This implies a possible time delay between the two parties. As explained in the previous chapter, NCA recognized Powel before Powel recognized NCA, whereas Powel considered NCA a couple of months before NCA considered Powel. In this relationship, the first situation was rather a result of coincidence; that the general manager gained experience with Powel's software at the third party organization Statkraft. In the latter situation, the time difference may be due to their different roles in the business relationship. *Powel may be regarded as the active part* in terms of actively trying to sell NCA the rights to resell their software solution, whereas *NCA may be regarded as the reactive part*. As the active part more actively search for a suitable partner, the transition from considered to business agreement seen from this perspective may be somewhat ahead in time than the process seen from the reactive part's perspective.

Seeing the process from a dual perspective suggests that *the relationship initiation process seen from one perspective may influence the process seen from the other perspective*. The occurrence of NCA already having recognized Powel before they made the phone call may have made it "easier" for Powel to make NCA to consider their business suggestions, and thus the relative fast transition towards signing the business agreement.

### 6.1.3 Factors influencing the relationship initiation process

*Factors, including third actors and other factors, can be regarded as converts and inhibitors that influence the dynamism of the relationship initiation process*. The results from the analysis suggested that seeing the factors as forces revealed more fruitful findings. These will be further elaborated in Chapter 6.2. Meanwhile, the amount and distribution of factors, as well as the interplay between them will be discussed in the subsequent section.

First, the empirical findings indicate that *the amount of factors increases as the closeness to the business agreement decreases*. A possible explanation to this tendency could be that as the process progresses, relationship becomes regarded as more business critical. Also, factors may be easier to identify as the process becomes more concrete. Even though some factors may have been there all the time, the two parties first become aware of them, or at least regarded them as influential, when they realized that they probably were going to sign a business agreement.

Second, the *regarded presence of factor differs from the two perspectives*. Some of the factors are acknowledged from both of the perspectives, whereas others are just seen from one of them. It is questionable whether the factors acknowledged by both parts are more determent in terms of reaching a business agreement than for those that are only regarded from one perspective.

Third, and if looking at those factors that are not common, the analysis indicates that *the active part of the business relationship sees more factors in the start of the process; whereas the reactive part sees more factors at the end of the process*. As described in the previous chapter; until NCA considered Powel, Powel observed more factors than NCA. However, when NCA appeared to have considered Powel, NCA observed a larger amount of influencing factors than Powel. This tendency may be linked to the fact that the active part indeed is more active, and consequently acknowledges more factors earlier in the process.

Fourth, the analysis suggests that there was a difference in the factors in terms of how external they are to the companies, which may imply that *factors can be categorized into internal,*

*relational, and external factors*. The empirical findings indicate that management skills, international experience, and support from the owners were shown to be of a more internal character as something inside the company, whereas country risk and local presence were regarded to be more external to the company. In between, representing a kind of meso-level, are those factors with a more relational character. Third actors seem to belong to this category, since they represent something that takes part in the interaction between the two companies. The suggested categorization is illustrated in Figure 20 below.

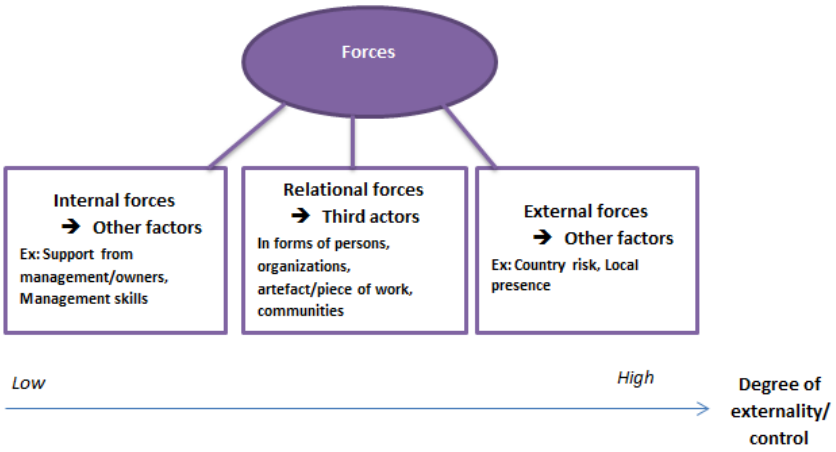



Figure 20: Categorization of factors in terms of how externally they are to the firm

Fifth, and finally, the results from the analysis indicate that *the factors' influence is relative to each other and it is the interplay that determines the resulting dynamism of the process*. For example, the empirical findings indicate that it was the sum of internal, relational and external factors that made Powel to consider NCA: Powel had support from the owners (internal at Powel), Powel regarded the management skills at NCA as critical (internal at NCA) NCA had the local presence needed (external), the general manager in NCA knew the product from his stay in Statkraft (relational), and he had previous working experience with the director of international business development in Powel (relational). Despite of the country risk (external) and the technical and managerial problems with their existing customer TE (relational), the sum of the mentioned factors made Powel to consider NCA. Thus, it is the interplay of internal, relational, and external factors that influence the dynamism of the relationship initiation process. The finding is illustrated in Figure 21 below.

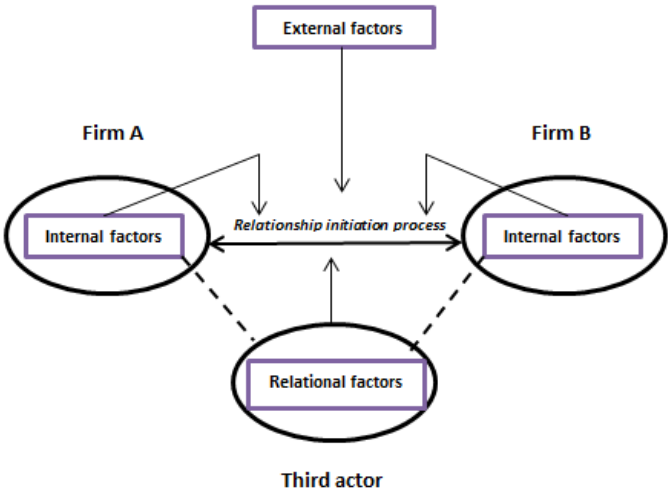



Figure 21: Influencing parties in the relationship initiation process

Thus, these findings also confirms that *both parties in the focal business relationship, third actors and other factors related to the environment of which the business is taking place, influence the relationship initiation process*.

### 6.1.4 What is the end of the relationship initiation process?

The empirical findings confirm that *the business agreement is the ideal stop of the relationship initiation process*. However, the findings additionally suggest that *the process patterns from the two perspectives converge as the closeness to the business agreement decreases, of which is reached simultaneously in time*. As shown from the case study, even though Powel and NCA had different process pattern, they simultaneously ended by signing the contract in September 2011. This may indicate that even though the process patterns of the two perspectives are not necessarily synchronized, the ideal business relationship process is characterized by a converging process towards the business agreement.

*Sometimes reaching a business agreement is not the ultimate goal, but rather the relationship that comes with it*. As presented in the empirical description, no sales have been made after the contract was signed between Powel and NCA. However, the empirical description reveals that the business relationship process has resulted in initiating another business relationship, the relationship between PHC and NCA with the specific setting of potentially include SmG. Thus, this may indicate that the outcome of a focal business relationship may influence other business relationships to be initiated.

Summing up the discussion so far, the study confirms that the relationship initiation process is highly dynamic in nature, frequently subjected to the relative interplay of internal, relational, and external forces. Additionally, when seeing the process from a dual perspective, the two perspectives reveal an unsynchronized, but converging pattern towards a mutual business agreement is. In the subsequent chapter, a particular focus is paid to the relational factors; the third actors' influence on the relationship initiation process.

## 6.2 Third actors' influence on the relationship initiation process

Related to the second research question, this section aims to discuss who the third actors are, and particularly how they influence the relationship initiation process.

### 6.2.1 Who are the third actors?

The findings from the analysis confirm that *the third actors may come in various forms, and that their form may change over time*. Third actors can be represented as persons, organizations, artifacts, piece of work, and communities of thirds. However, a third actor may present more than one of the forms simultaneously, and even change the form over time. For example, Engelstad was first regarded as a third actor in form of his person. Then, when he became employed at NCA, he was regarded as a third actor related to a piece of work, that is, in terms of his previous, realized work with SmG in Statkraft. The tendency of third actors shifting form over time may be a result of people moving between organizations as time passes.

The empirical findings also indicate that *third actors may be regarded as a product of all the other relationships they have*. This is particularly seen from third actors as artifacts. For example, Powel's contract with TE seemed to influence the process in terms of shifting the status forwards, but arguably, the contract is actually a symbol of the relationship between Powel and TE. Consequently, it was the relationship between the two that made Powel to recognize and consider NCA as their local partner in Chile. Consequently, it appears as third actors often represent relationships in the network of the focal business relationship.

Further, the analysis suggests that *the regarded role of the third actors in the relationship initiation process may differ from the perspectives and may change as the process progresses*. For example, from Powel's perspective, SN Power was first regarded as an enabler of the business, as they had suggested TE to use their software system. Later, SN Power was regarded as an evidence of possible future business, as they became engaged in several

hydropower investments. Also from NCA's perspective, SN Power was regarded as trust builder of future work. However, in the transition between considered and business agreement, SN Power was regarded as a potential threat, as they, due to NC's corruption case, could be hindered in doing any further business with NCA.

Finally, the analysis indicates that *third actors facilitate in the relationship initiation process by creating events*. As explained in the previous chapter, the Norwegian and the Chilean government facilitated in creating the event in 1999, and as such made it possible for the two companies to meet in a particular setting. This finding may propose that the third actors do not only influence the transaction between the two companies; they also facilitate in creating events.

### 6.2.2 How do third actors influence the relationship initiation process?

In terms of how third actors influence the process, the findings from the analysis reveal that *third actor's influence on the relationship initiation process is highly dynamical; they can influence in one or more transitions, with one or more forces, and they can be regarded differently depending on the perspective of the dyad*. The empirical findings suggest that third actors may not solely be positive or negative for the progression of the relationship initiation process, but rather possess a mixture of both negative and positive effects, of which may vary in terms of time and perspective. In particular, third actors as organizations appeared to be most extensively exposed to this dynamism. For example, from Powel's perspective, TE was regarded to influence the process positively in the transitions between unrecognized and recognized, by being a forward converter and a backward inhibitor. However, in the next transition, between recognized and considered, TE was regarded to influence the process both positively and negatively, as a forward converter and backward inhibitor. Nonetheless, in the same transition, NCA merely regarded the positive influence of TE, by regarding the force of TE as a forward converter. This finding may indicate that one third actor type may influence the relationship initiation process as a mix of forces, of which is relative to the perspective.

Finally, the empirical findings suggest that *third actors influence the relationship initiation process with unequally weighted forces*. As previously indicated, it is the sum of their forces that influence the dynamism of the process. However, the analysis additionally indicates that some third actors influence the process more extensively than others. For example, in the transition between considered and business agreement, NCA's acknowledged an equal amount of forward inhibiting as forward converting third actors. Still, the process shifted

status, and proceeded to the business agreement. This may indicate that the forces third actors exert on the process not equally weighted.

### 6.2.3 Third actors' influence on the process relative to their network position

On a general basis, the analysis presented in the previous chapter suggest that *horizontally linked third actors are found more frequently in the start of the relationship initiation process, whereas vertically linked third actors are more frequently found at the end of the process*. As the closeness to the business agreement is decreased, the relationship may be regarded as more business critical. This in turn may suggest that vertically linked third actors are regarded as more business critical and thus perhaps more influential in the relationship initiation process.

The empirical findings also suggest that *third actors as organizations are frequently more common for the two focal companies than third actors as persons*. The analysis showed that the persons mentioned as influential for the process were mainly observed from merely one perspective. This may be because they more extensively than organizations are linked by personal bonds.

Summing up the discussion in this sub-chapter, third actors may come in various forms, and their forms may change over time. Moreover, third actors influence the process with various, unequally weighted and sometimes controversial forces, with various frequencies, depending on their network position and the perspective they are regarded from. In the subsequent chapter, third actors' influence on the process in terms of their nationality will be discussed.

## 6.3 Third actors' nationality and their relative influence on the relationship initiation process

Related to the third research question, this section discusses how the nationality of the third actors, as well as their location and international experience influence the relationship initiation process.

When considering the third actors as persons and organizations, the analysis reveals that *Norwegian third actors are more frequently present in the start of the relationship initiation process, whereas Chilean and international third actors are more frequently present at the end of the process*. The empirical findings suggest that both Powel and NCA observed more third actors with Norwegian nationality when they were in the status unrecognized, whereas as the distance to the business agreement decreased, third actors with Chilean or other nationality were frequently more observed.

Additionally, the empirical findings suggested that the *Norwegian organizations and persons more positively influenced the relationship initiation process than organizations and persons that are Chilean or of other nationality*. Seen in relation to their forces on the process, NTNU, SINTEF, and Engelstad, for example, merely influenced as forward converters, whereas PUC, TE and Rudnick influenced more extensively as backwards converters or forward inhibitors. This finding may indicate that Norwegian third actors more frequently than Chilean third actors contribute to a forward progression of the relationship initiation process.

Now, if looking at third actors as organizations in particular, new findings were revealed when additionally separating the organizations according to their international experience (in terms of being located in more than one country), and whether they were present in Chile when the process was taking place:

First, *companies with international experience are frequently more present during the relationship initiation process than those without international experience, independent of their nationality*. From the empirical findings it appears that the companies with international experience, that is, TE, PHC, SN Power, and Statkraft, were all present in more than two transitions, whereas those organizations with no international experience, such as NTNU and the Chilean government, were less present during the process. As these organizations were additionally recognized from both perspectives, as well as being vertically linked to the focal companies, the finding may indicate that those organizations with international experience are more influential in the initiation process of an international relationship than those with no international experience.

Second*, in the beginning of the relationship initiation process, Norwegian companies in Norway and Chilean companies in Chile are particularly present. As the closeness to the business agreement decreases, companies in Chile with international experience are particularly present, independent of their nationality*. For example, the empirical findings indicate that organizations categorized in the first group, such as NTNU, SINTEF, PUC, the Chilean government and the Norwegian government, were present in the beginning of the relationship initiation process, whereas SN Power, TE, PHC, and Statkraft became more present at the end of the process, and thus suggesting the latter group's importance for the progression of the process towards a business agreement.

Figure 22 below summarizes the third actors influence on the relationship initiation process relative to their position in the network, as discussed in the previous sub-chapter, and relative to their nationality, international experience and country presence, discussed in this chapter.

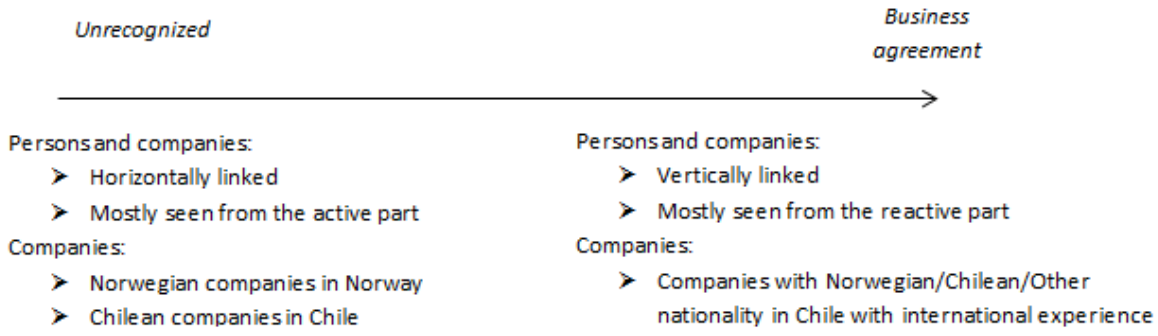



Figure 22: Third actors relative to network position and international dimensions

Based on the discussion presented in these three sub-chapters, a new, conceptual model is proposed in the subsequent.

## 6.4 Proposing a new conceptual model

As introductorily described in this thesis, the objective of this study is to theoretically contribute with new refinements and understandings to the research area of business relationship initiations. Consequently, and based on the previous discussion, a new, conceptual model considering international business relationship initiation processes is proposed. The model is illustrated in Figure 23 below.

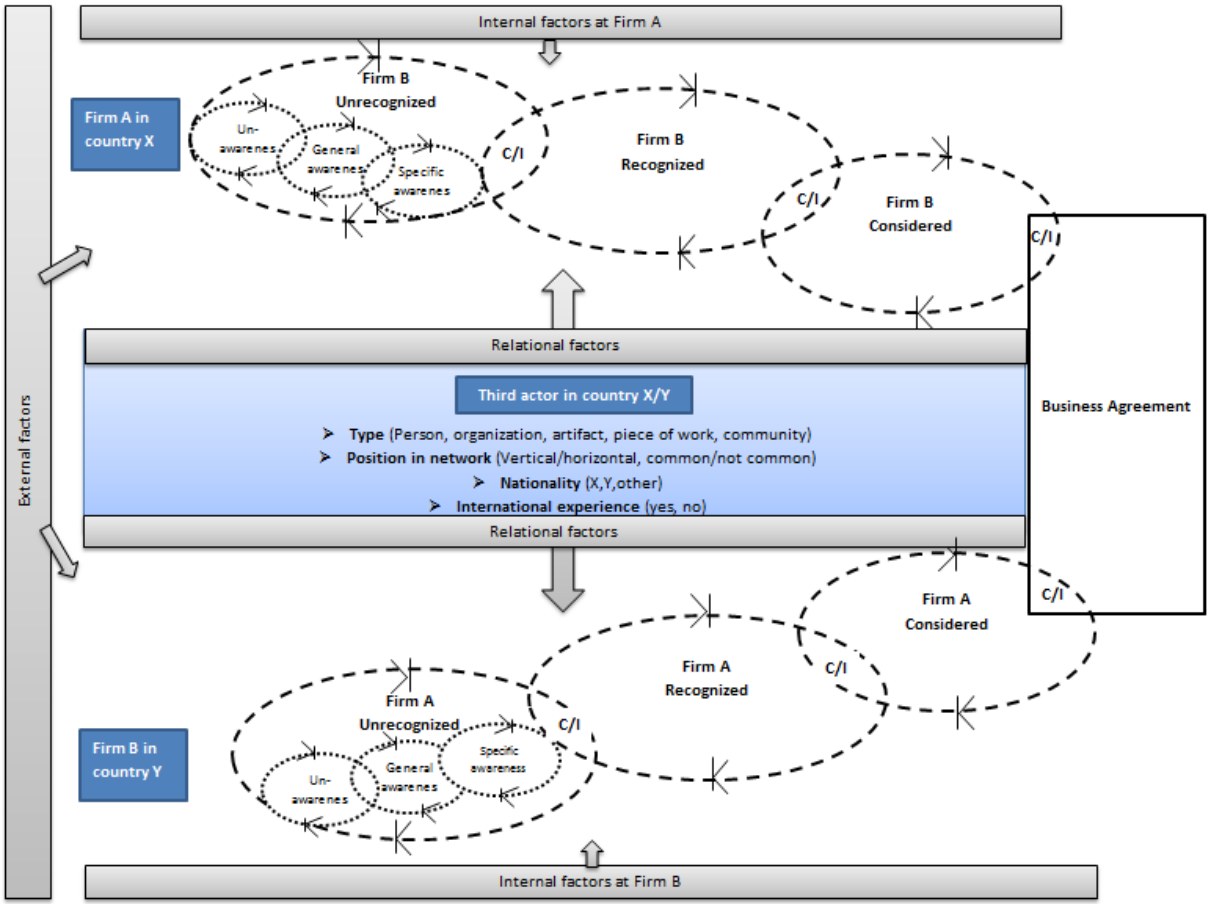



Figure 23: New, conceptual model on international business relationship initiation process

The new conceptualization is based on the theoretical framework presented in Chapter 2, mainly founded in the two conceptualizations; the dynamic-based relationship initiation model developed by Edvardsson et al. (2008) and Aarikka-Stenroos' categorization of third actors. However, the proposed model differs from the conceptual framework in terms of seeing the relationship initiation process from the perspectives of both the reactive part as well as the active part of the business relationship, proposing a convergence towards a business agreement, which is reached simultaneously in time. The new, conceptual model separates the influencing factors into internal, external, and relational factors, in which third

actors belong to the latter group. Moreover, it has added an increased degree of dynamism of the process, indicating that the transitions between the statuses are more blurred, that the process contains more sub-processes within one status, and that the factors can influence within each status as well as between the statuses. Finally, the model has added additional international dimensions to the third actors by including their international experience and whether they are present in the country of which the business interaction is supposed to take place in the future.

## 6.5 The conceptualization's contributions to the theory

The next two sub-chapters present the conceptualization's contributions to the research area, first to the conceptualizations used in the theoretical framework, and then to theories within the disciplines of internationalization, business relationship, and networking.

### 6.5.1 Contributions to the conceptualizations used in the conceptual framework

In the subsequent sections, the conceptualization's contributions to the theories by Edvardsson et al. (2008) and Aarikka-Stenroos (2011) are suggested.

#### *Contributions to the model developed by Edvardsson et al. (2008)*

First, the new conceptualization contributes in terms of not merely seeing the relationship initiation process from the perspective of the reactive part of the business relationship, as it additionally includes the process seen from the perspective of the active part of the relationship. Seeing the process from the buyer's perspective, which often is the reactive part, may be useful for the seller in terms of increasing his knowledge of how he may sell more to the buyer. However, as the two perspectives are influenced by each other, seeing the process from both perspectives may help to understand the actions and reactions of them both, and thus increase the understanding of the nature of business relationship initiation processes.

Second, the new conceptualization suggests that the relationship initiation process is even more dynamic than proposed by Edvardsson et al. (2008). It supports their statement of the possibility for the relationship to start and stop anywhere along the process, as well as its possibility to linger in certain statuses for long periods. However, the new conceptualization suggests that the transitions between the statuses are more blurred, and that they contain more sub-processes within each status.

Third, the new, conceptual model suggests that the forces driving the process can be viewed as internal, external, and relational factors, of which the latter category includes third actors in the network of the two focal companies. Further, it supports that the forces are relative to each other, and of which sum is what decides the response of the process. However, the study also suggests that the factors may have many, and sometimes controversial forces simultaneously, relative to the perspective.

### *Contributions to the framework developed by Aarikka-Stenroos (2011)*

First, the new conceptualization contributes to the framework developed by Aarikka-Stenroos (2011) by showing that not only may the third actors launch the initiation of a business relationship process, but they may also impede it. By regarding the third actors as influencing the process in terms of forces, third actors can influence the process both positively, in terms of helping the process forwards (forward converter), or hinder that it regresses (backward inhibitor), or they can influence the process negatively, in terms of regressing the process (backward converter) or hindering the process to proceed (forward inhibitor). Hence, the new conceptualization has utilized Edvardsson et al. (2008)'s contributions to enrich the framework of Aarikka-Stenroos (2011).

Second, the conceptualization contributes to Aarikka-Stenroos' (2011) framework by including the international dimension of both the third actors as well as the focal business relationship. The conceptualization suggests that not only is the international business relationship initiation process influenced by the third actors' nationality, but also the third actors' location relative to the two focal companies, as well as the thirds' international experience.

Third, the new conceptual model suggests that third actors are even more dynamically influencing the relationship initiation process as suggested by Aarikka-Stenroos (2011). The type of third actors, their position in the network, their nationality, location, and international experience, as well as the forces they exert on the process, are highly exposed to dynamism in terms of frequency and perspective.

### 6.5.2 Contributions to the theories on internationalization, business relationship, and networking

In the subsequent sections, the conceptualization's contributions to the theories on internationalization, business relationships, and networking previously presented in Chapter 2, are suggested accordingly.

#### *Contributions to theories on business relationships*

The study confirms that business relationships are complex in nature, frequently influenced by the parties in the relationship, the events, or episodes that comes with it, as well as the environment and the atmosphere evolving the business relationship. Considering the understanding of the business relationship in general, the study thus shares the view of regarding the relationship as "more than just the deal" (Kanter, 1994), connected by various activities, resources, and bonds (Håkansson and Snehota, 1995), where either of the two firms may take the active part in the transaction (Håkansson, 1982).

Regarding the initiation of the business relationships, the study supports previous models' vision of the relationship initiation as a first stadium in the relationship development process, which is in line with what has been suggested by e.g. Ford (1980), Dwyer et al. (1987) and Wilson (1995). However, this study suggests that this stadium should be studied in particular, as many business relationship fails to reach a business agreement, which was illustrated by the story in the introduction of this thesis. Even though a business relationship does not reach to an agreement, the study suggests that it may still be fruitful, as it may generate other business relationships. By confirming that a relationship initiation process is dynamic in the way it progresses, it rejects the relationship initiation process as a linear process taking place in sequential *stages* (Ford, 1980; Dwyer et al., 1987; Wilson, 1995). Consequently it supports the view of relationship initiation process as happening in randomly and unpredictable states, in line with what was suggested by Batonda and Perry (2003). As a matter of fact, the study actually proposes that the relationship initiation process is even more dynamic than previously suggested (Batonda and Perry, 2003; Edvardson et al., 2008). This was illustrated by introducing a dual perspective approach, suggesting sub-processes within one status, and the process' frequent opposition to the dynamic influence of third actors, internal factors, and external factors.

Further, the study suggests combining the interaction approach (Håkansson, 1982) with the factor categorization: Internal factors are found at the two parties involved in the business relationship, representing the firm level. Relational factors are found in the interaction

between the two, representing the relational level. Finally, external factors are found in the environment, or the atmosphere, where the business interaction takes place, representing what I have labeled as the environmental level. See Figure 24 below.

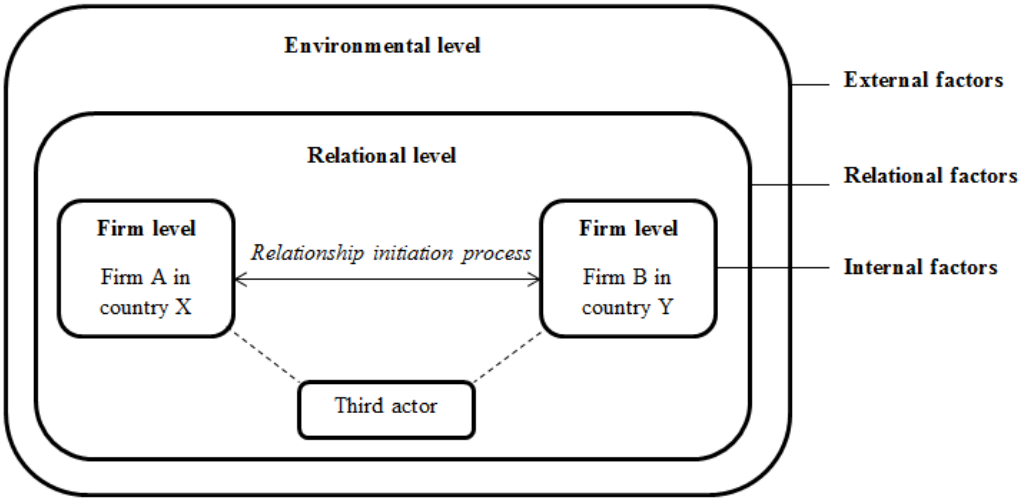



Figure 24: Factor category combined with levels

Finally, the study also suggest that a business relationship may start even before the two parties start to conduct business exchanges, as the empirical findings indicate that this could happen when the focal companies still are parts of their mother companies. This implies that the sequence of acts and counteracts makes up the relationship's history, and that this history influences the presence. This is in line with Håkansson and Snehota (1995) and Ford and Håkansson (2005).

### *Contributions to the networking theories*

The study supports Håkansson and Snehota's (1995) view of not considering a business relationship as an island, but rather as interconnected to its network. This is also in line with the inter-organizational approach, addressed by several contributors (e.g. Anderson et al, 1994; Håkansson and Ford, 2002, Ritter et al., 2004; Andersen and Buvik, 2002; Johanson and Vahlne, 2003), reflecting the interdependence between the parties involved in the network. Thus, the important question is not *where* a firm makes business, but with *whom*. This can be transferred to a company's internationalization, as seen from above. As shown from the case study, Powel realized that the Chilean market was too limited and premature for the software solution. However, by using the right business relationships, they established a footing in the Chilean market.

The study further merges the networking theories with theories on business relationship initiations, by suggesting that the effects the network has on a business relationship also are apparent in the initiations of such business relationships. Third actors represent the network, and third actors may influence the relationship initiation process both positively, as forward converting and backward inhibiting forces, and negatively, as backward converting and forward inhibiting forces. This is in line with the addressed interlocking effects the network has on the business relationship (Gadde et al., 2003; Håkansson and Ford, 2002)

### *Contributions to theories on internationalization*

First of all, the study supports the view of the voices in the academia of seeing the internationalization of a firm as the same as initiating new, international business relationships (Andersen & Buvik, 2002; D. Crick & M. D. Jones, 2000; Ellis, 2000; Jan Johanson & Vahlne, 1977; Johansson & Vahlne, 2003). As such, it supports the integration of the internationalization discipline with the business relationship discipline. However, and as addressed introductorily in this thesis, this type of contributions is scarce. Consequently, this study has integrated the international dimension to the relationship initiation process theories, and as such contributed to fill this lack.

The study supports the view of a firm's internationalization as starting in those markets physically closest to themselves. Powel started in Norway, and gradually expanded to Sweden and Denmark, before entering other European countries. Powel's internationalization history revealed that those business relationships that were tried to be initiated physically far away from Norway were less "successful" than those initiated physically close to Powel's office in Norway. As such, the study supports Johanson and Vahlne's (1977) statement of firms initiating national business relationships before initiating international business relationships.

At the same time, the study also support the view of seeing relationships as bridges to new markets, confirming the view of a firm's internationalization by the use its network when developing new relationships in new countries, as outlined by Johanson and Mattson (1993), and supported by several other contributors (e.g. Crick & Jones, 2000; Ellis, 2000; Johansson & Vahlne, 2003; Andersen & Buvik, 2003). According to the study, Powel used their already existing business relationships, Statkraft and TE, to introduce their software solution to the Chilean market.

Additionally, the study integrates the two contributions stated above with the networking theory and theories on business relationship initiations. This in terms of suggesting that firms,

when internationalizing, tend to use national, horizontally-linked third actors in the start of the relationship initiation process, whereas using international, vertically-linked third actors at the end of the process.

## 6.6 How international is the business relationship between Powel and NCA?

Introductorily in this thesis, a definition of international business relationship was made:

*"An international business relationship is the mutually oriented interaction between two reciprocally committed parties across national borders"*

According to this definition, the business relationship between Powel and NCA is understood as an international business relationship, since the first is localized in Norway, whereas the other is localized in Chile. However, as revealed from the empirical description, they are both Norwegian in terms of nationality, as they both have Norwegian owners. Nevertheless, if looking at the employees in the two respective firms, NCA differ from Powel. In NCA, the majority of the employees are Chilean, whereas the majority of the employees in Powel are Norwegian. This may be a consequence of their respective locations. Nonetheless, the persons involved in the relationship initiation process of study were merely represented by Norwegians; Engelstad, representing NCA, and Gomnæs and Tangvik representing Powel. Finally, considering the two companies' international experience, Powel has more international experience than NCA. However, if considering NCA's mother company, NC has more international experience than Powel. Consequently, when considering the international dimension of a relationship, of which is to initiate a business, the three dimensions of nationality, country of presence, and international experience have to be taken into consideration.

# 7. Conclusions

The purpose of this study was to investigate the relatively unexplored phenomenon of international relationship initiation processes addressed in academia. By integrating empirical findings with separate, but compatible theories on internationalization, business relationships, and networking, this study concludes upon several findings related to the nature of the relationship initiation process and third actors' influence of such.

The comparatively small amount of research conducted on business relationship initiation processes may be a result of that initiations are diffuse and frequently exposed to relativism. They have a myriad of starting conditions relative to the rationale for initiating, characterized by blurred, interacting statuses with indefinite starting and stopping points, of which the process may linger in any of the statuses, or between them, for an indefinite period of time. The process is further influenced by both parties in the dyadic business relationship, where either may take the more active role. Their views on the process may differ, however, they converge as the closeness to the business agreement decreases, which is reached simultaneously in time. It is the interplay of the two perspectives that influence the dynamism of the process, and thus a dual perspective approach should be followed when studying the phenomenon of question. The dynamism of the process is further subjected to internal factors in the two firms, relational factors between them, and external factors outside the dyad. Together, and relative to each other, these factors influence the relationship initiation process by exerting forces, of whose interconnectedness is what determines the final outcome.

As well as being influenced by the two firms, the relationship initiation process is also influenced by third actors, constituting a relational character by representing the relationships in the surrounding network of the dyad. Third actors may come in the form as organizations, persons, artifacts, piece of work, and communities, and they may be vertically or horizontally linked, to one or both of the firms. Their roles and the frequency of appearance in the process change relative to time and perspective. Further, third actors both facilitate in creating events, by for example enable the two firms to meet in particular settings, as well as exerting forces on the process, of which interplay determines the dynamism of the process pattern. As being parts of an interconnected network, third actors may render possibilities as well as hinder the development of a relationship initiation process, and, they can do both simultaneously. Vertically linked third actors, especially if they are common for the two parties, are particularly important in terms of reducing the distance to the business agreement.

Third actors' influence is relative to their nationality as well as their country of presence and international experience. Before and when the parties recognize each other's mutual business opportunities, third actors national to the active part more positively influence the process in terms of reducing the closeness to the business agreement. On the other side, third actors national to the country in which the business interaction is taking place, more frequently influence in the form of hindering the process to proceed, or even decrease the closeness to the business agreement. As the process proceeds in statuses, to a point where one or both parties recognize each other, those third actors present in the country of which the interaction takes place, having international experience, are more influential in terms of reaching the business agreement, independent of nationality. Also the focal business relationship has to be evaluated upon the three stated dimensions of internationalism when considering their relationship initiation process.

Summing up, this study has fulfilled its purpose of investigating the phenomenon of international business relationship initiations. It has developed new knowledge about the nature of international business relationship initiations and inclusively how third actors influence in these. Hence, the study fills several gaps in the relevant literature. First, the study provided an empirical analysis of relationship initiation processes, which introductorily in this thesis was addressed to lack sufficiently attention in the academia. Second, the study provided a holistic analysis of third actors' influence on the process, by identifying the positive, as well as the impeding influence these may have on the initiations. Third, the study has added to the literature the international dimension of business relationship initiations by integrating the disciplines of internationalization and business relationships. Consequently, this theory developing study has demonstrated that the three disciplines of internationalization, business relationships, and networking complement each other. By the additional integration of the empirical findings, this study, of whose main contribution is the proposal of a new conceptual model, adds a significant piece to the puzzle in understanding international relationship initiations.

## 8. Managerial implications

Based on the discussion presented in Chapter 6, three implications for managers can be deduced from the findings of this paper. The implications apply to how the firm can take advantage of the third actors when internationalizing.

**Understand your network and engage yourself in it**

The first implication applies for the firm when taking the active role, as well as the reactive role in the initiation of international business relationships. First, as third actors represent relationships in the network, firms should be aware of their interconnected influence on emerging relationships. If managers know what kind of third actors that are useful in initiation situations, and being aware of how they may influence, these third actors become manageable asset for the firm. Thus, firms should identify key communities, artifacts, piece of realized work, key persons and organizations. The two latter should be analyzed upon network connections, nationality, country of presence, and international experience.

Second, a third actor is a "Janus"; it appears differently depending on the perspective. Thus, the same third actor may be regarded as an enabler from one firm's perspective, while it may be regarded as an impeder from the other firm's perspective. Realizing this helps firms to understand why a process tends to stop or linger in certain places. To counter-phrase David Schwartz: *"Remember, you see in any situation what you expect to see"*. Hence, managers should keep their eyes and ears open for what is actually being said in the network.

**Use national facilitators to gain a foothold, and be aware of local third actors**

In seeking new markets outside the home market boundaries, firms should not establish offices in a country without knowing the third actors that may influence the initiation process. Before doing any investments, managers should ensure that they have national, horizontally-linked third actors that facilitate events in the country aimed at doing business. These are often state-owned, non-profit organizations arranging meetings, seminars, trips, etc. Joining these facilitated events enables the firm to not only meet potential business partners, but more importantly, the facilitators enable the firm to meet influential third actors. These third actors tend to be present in the country of the potential business. If international, the third actors are more likely to help the firm in initiations, while the firm should be aware of local third actors, as they tend to have impeding effects on the business relationship to be initiated.

Managers should bear in mind that initiation processes may take long time, especially in the situation before the two parties recognize each other. As such, benefits of engaging in

facilitated events are difficult to see in the short-term. However, the study has shown that creating a common history makes it easier to initiate a business relationship in later occasions. Moreover, even though a business relationship fails to reach a business agreement, or if no sales are made after a business agreement is signed, they may generate other business relationships of significant importance for the firm.

**Use locally present third actors with international experience to speed up the relationship initiation process**

After the firm has participated in facilitated events in the country aimed at business, and when the two parties have recognized each other, the firm should use vertically-linked third actors with international experience and local presence to ensure the likelihood of establishing a business agreement. Managers should especially focus on using already existing customer companies, which preferably also should be a customer of the other firm. Often, commonly-linked third actors establish trust, as the other firm tends to regard the firm's previous realized work with that customer as a proof of evidence. Thus, managers should ensure that the work done for an existing customer, national or international, is well executed.

## 9. Future research

This study proposes a new, conceptual model of international business relationship initiation processes, suggesting a dual perspective approach, which should be tested for further studies. As this model was developed with the basis of a single case study with a limited number of units, future research is encouraged to conduct studies to follow the dual perspective approach on a higher number of cases in order to increase the transferability and they should conduct them across industry, national borders, and international experience. The model is not proposed to represent an exhaustive collection of influencing factors, including third actors. Thus, future studies will undoubtedly identify not only a higher number of factors, but also identify how their relativeness and interplay of influence in the relationship initiation process.

An identified limitation to this research is that it has not studied the relationship initiation process from the perspective of the third actors. As the study revealed, an extensive amount of third actors were found to be influential for the relationship initiation process, however, due to resource constraints, only two third actors as organizations were included in the study. Future research is therefore strongly recommended to include the "third" perspective of the relationship initiation process, and combine it with the two perspectives as proposed in this study. As such, future studies should investigate the three parties influence on each other, as a dynamic interconnectedness of actions and reactions. This will reveal a more holistic understanding of the studied phenomenon.

This study has followed a multidisciplinary approach by combining theories on business relationships, networking, and internationalization. Following a multidisciplinary across even more disciplines will create a more holistic understanding of the studied phenomenon, and is thus recommended for future studies.

It was suggested in the study that the business agreement is perhaps not the ultimate goal, but rather the relationships that comes with it. As such, longitudinal studies may be useful in terms of examining how the relationship initiation processes proceed further, and particularly how this initiation leads to different kinds of relationships. Thus, further studies taking a longitudinal approach are suggested.

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## Appendix A

# Interview Guide

Company:

Address:

Name of interviewee:

Position:

Nationality:

Place:

Date:

Time:

**Pre-information:**

Recording OK?

Information about my study:

- Master degree: Industrial economy and technology management, NTNU
- Topic of thesis: Business relationship initiation process in Chile vs. Norway- studying the relationships Powel-NCA-Tinguiririca Energia & Powel-NCA-PacificHydro
- Thesis is of academic purpose

Talk freely. I will interrupt now and then with questions from my list.

1. When and how did you first hear about Powel/PHC/NCA/TE?
2. How did the relationship between Powel/PHC/NCA/TE start? (Rationale to start)
3. How has the business relationship to Powel/PHC/NCA/TE developed over time?
4. What does the agreement consist of? (how formalized is the tender process, time valid, when does the agreement expire)
5. What have speeded up or slowed down the process?
6. How does this relationship differ from other relationships?
7. How is your relationship to Powel/PHC/NCA/TE?
8. What is a successful business relationship? (Factors leading to this)
9. How is the Norwegian versus the Chilean business culture?
10. What is important in a business relationship in order to succeed?

11. How is it do business with Norwegian versus international versus Chilean companies?

Who may I visit/ask in order to learn more about my questions/topic?

Thank you for your time!

May we keep in contact so that if I have additional questions or clarifying questions we could take this over Skype or e-mail?

I will send you the notes I have taken from the interview and phrasings so that you can revise it and check that there has not been any misunderstandings or confidentiality issues, etc.