BUSINESS & NONBUSINESS ACTORS IN A TURBULENT ENVIRONMENT

BY

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ABSTRACT

The existing studies in the industrial network have devoted their attention extensively to the commercial actors. The political and intermediary actors stand in the far horizon and their impacts are implicitly considered to be manageable. These studies may be relevant for a condition of harmony or a positive interaction among these actors. But the business world is becoming increasingly complex and dynamic. The research question for this paper concerns the interaction of political, intermediary systems within industrial networks. The research emphasizes business, two interconnected questions. One question concerns the basis of the relationship between these three networks. The next question is how a change in the value of the political system makes change in the behavior of intermediary and business actors. The study presents six cases about the Swedish MNCs in India confronted with a changed political value system and the ability of management to understand the interaction of the three systems of political, intermediary and business. The aim of this paper is to contribute some knowledge about the relationships between the political and business networks.

1. Introduction

For analysis of the environment, the marketing and organizational literature identify dimensions like degrees of heterogeneity, complexity, capacity, turbulence, and dynamism (Daft, 1983, Steers, 1977 and Mintzberg, 1979). For each dimension a specific strategic action is presented. Some devote their attention to influence procedure in the environment and some others concentrate on adaptations. In this connection, i.e., Emery and Trist (1965) explain that the development of strategies illustrates the principle of isomorphism (Aldrich, 1979). In the marketing literature, the environmental factors are treated calculatively. Therefore, the most literature dealing with international marketing focus on the strategic planning, implementation, and control. This view simplifies the business environment and provides simple procedures to measure the uncertainty and strategic actions. The general utility in these concepts is delimitation of the environment from the firm. The disintegration of the environment has become a means to simplify the business world to imply normative strategy. It is because of such conceptualization that Mintzberg (1994) puts such management principle under question and introduces a completely different management principle. He states that one major reason for the differences in between the intended and apparent strategy in the business world is the interaction of the so-called environmental factors and the firms.

The critical problem in dealing with environment is the categorizations which are employed by researchers as a mode for the establishment of simple models. But on
the other hand the models can go so far that they may become autonomous concepts with no connection with the real business world. The models assume a simple procedure. The action of one firm is to influence environment. Or they generally assume that environmental impacts have a general and homogeneous influence on all firms. This research, on contrary, aims to explain how an environmental problem for a firm defuses and influences other business firms which in reality are far distant from the original problem. Moreover, how and why the firms are influenced is quite different. This research aims to study the environment, specifically the interaction of non-business actors in India with the Swedish Transitional Companies (TNC). By employing the network model the research is to focus on the interactions between the business and the so called "environment". The aim of this study is not to introduce another model. It is rather to show how change in an international environment influences the business firms and also how the changes in the political rules evolve different changes for a variety of TNCs. More specifically, it is to study the impact of the politicians, media and people in India on Swedish firms because of a business problem which emerged from Bofors selling military artillery to India. The research is based on 8 case studies. Attention is given to how and in what ways the 7 Swedish firms were influenced by the changing environmental conditions. For analysis, the study employs the business network model. The study observes the environmental elements as parts of the business network having cooperative or conflict types of relationship. The final goal of the study is to contribute more knowledge to the network model, i.e., concerns the interaction of the business and nonbusiness actors. The result aims to provide some hypotheses about the interaction of these actors.

2. Network Model

Industrial network model's basic classes of variables are actors, activities and resources. These variables are related to each other in the overall structure of networks (Håkansson, Johansson, 1988). The model presumes the cumulative process which emphasizes that relationships are constantly established, developed and broken (Ford, 1986). The change is presented to be related to the history of and for the mutual interest of the actors. The underlying assumption is based on a kind of stability since the changes are also presumed to have stability. This concept is true under condition of minor and manageable changes in the structure of actors and relationships. Such a view can be unrealistic when the changes are not so predictable or are of a more drastically nature.
The delimitation of business actors from environmental (non-business actors) can have one of these three reasons,

- a) the interdependency between the business actors are so strong that the external turbulence has no impact on the business actors,
- b) oversimplification of the facts and realities,
- c) assumption of an harmony in the environment which makes uncertainty more predictable.

But from the our point of view nonbusiness actors have an active role in the business exchange. They, by the resources legal or political positions that they control always exert power and influence on the business actors and vice versa (Hadjikhani, 1993). The view employed in this study extends the barriers and integrates non-business actors into the business network’s context.

The view of context in the network is becoming more common among researchers (Snehota, 1992). This statement emphases integration of institutional actors into the business network for a better understanding of changes (Sjöberg, 1993). Extension of the boundaries in studying the changes in non-business actors has substantial advantages for two main reasons,

- a) it provides more understanding about the actors in the so called environment,
- b) it integrates non-business actors like media, politicians and people which by their legitimate power undertake supportive or coercive actions to influence the business relationships (Sharma & Hadjikhani, 1993).

This is more evident in condition of change where the nonbusiness actions cause uncertainty for the business actors. A weakening or absence of trust influences the business actors’ relationship with the nonbusiness actors and the cumulative process in the relationship can be interrupted. The activities of nonbusiness actors influence all actors. They can interrupt or strengthen relationships. The variety of consequences depend on the types of actors and relationships. Thus, the interaction with nonbusiness actors can confront the business actors with surprises and some times dramatically situations. The business actors usually at least in the short run, follow the roles they have adopted since the redistributive exchange imposed by nonbusiness actors is often by means of legislative power.

2.1. Business & Non-Business Activities

Whether there is a change or not the business network, in reality, integrates two different types of actors, namely, nonbusiness and business ones. Business actors operating in foreign markets must adhere to the national laws and values and show
willingness and interest in the demands raised by the local interest groups and actors. In general, the actions of non-business actors towards the business actors can be passive or active. In the passive mode the role of the nonbusiness actors is limited to making exchange for some basic services and these supplies are often kept to a minimum. These supplies are more or less the same to all the business actors. In other words, the nonbusiness actors would not supply critical resources that could be used for competitive advantage by the business actors. This view of the non-business actors falls very close to the role that neo-classical economics assigns to the government. On the contrary, the active mode implies that the nonbusiness actors possess resources and execute activities that are valued by the business actors. These resources could be financial or non-financial. The active mode, in turn, could be supportive or coercive.

A nonbusiness action is supportive when its impact on the business actors is positive. The supportive nonbusiness actor may supply valuable resource to business actors in the shape of, for example, pecuniary support and subsidies. Thus, governments, e.g., supply R&D grants and incentives to firms to export or to locate a plant in a particular area or region. Some business actors receive more and others obtain less. It is contingent upon the ability of a business actor to define and interpret its own activities in terms of the prevailing ideologies, values and norms in the society. There does not exist an ‘objective’ interpretation. A non-business action is coercive when nonbusiness actors by their legitimate position apply restrictions on a firm’s activities. Coercion could, in extreme cases, manifest in restrictions on the business actor’s activities. Some are more subtle and less visible. For example, discriminating as to the supply of specific resources that people have shown their willingness to provide. Government through imposition of quotas and/or reserving markets for certain firms at the expense of others. Some actions, such as nationalization, are of course highly visible. Obvious examples are restrictions on, Japanese car imports into USA, demands on local production and nationalization of USA owned firms in Iran after the 1978 revolution.

The content of the supportive or coercive actions taken by the nonbusiness actors can be specific or general. The nonbusiness actions can be directed toward all the business actors or they may focus on specific actors. Prohibition for imports from a specific country or very high tariff for specific types of products from a country are only two types of specific actions influencing the business exchange relationship. In our view, the exchange between the non-business and the business actors is better analysed by researching its specific characteristic rather than its general nature.
In this respect, each business actor enjoys a ‘unique’ relationship with the nonbusiness actors in its environment. Thereby, a general coercive or supportive action pursued by nonbusiness actors, particularly governments, are myths. It is the ability of a business actor to relate its actions to the values and norms of the non-business actors that determines the true supportive or coercive nature of the actions. Thus, the intensity and the severeness of supportive and coercive non-business actions are shaped by the ability of the individual business actors to interpret their actions in terms of the prevailing values and norms. It is the specificity of the nonbusiness actions which become crucial for a particular business actor. An issue of interest concerns the degree of the non-business actions as well as the types and contents of these actions. A low degree of coercive and specific action, e.g., may consider specific regulations which leads to weakening the business relationship. A high degree, on the other hand, leads to confiscation of the business actors ownership or interruption of the business relationships.

3. Bofors and the Turbulence in the Indian's Business Environment

In the beginning of the 1980s because of a contract between the Swedish firm Bofors and the Defence Ministry, a problem was raises in the Indian political and social system. The media and opposition blamed the government for corruption and for several years there was a high uncertainty for the Swedish TNCs in India. There were demonstrations in the streets and the newspapers were full of articles about the so called fiasco in the Rajiv Gandhi’s government and the state departments. The accusations dominated the socio-political life for several years. In the empirical part the attention is firstly paid on the source of the problem and then on how the problem effected the Swedish firms.

The Bofors scandal in India is a clear example of how the non-business actors influence business actors. Bofors, is a well known Swedish MNC which produces and sells products for military purposes. In 1986, Bofors signed one of the biggest contract with the Indian army for providing 410 pieces of 155 mm howitzers PH 77. The contract was for the total sum of 8.4 BScr. The negotiation had already started in 1981 and before the contract the parties had several years hard discussions. The competitor was the state owned Indian firm PIAT. After the Swedish election in 1982, Olof Palme, the Swedish prime Minister, assisted Bofors since the contract was important for the Swedish industry.
It is not surprising then that the negotiations also beside Bofors and Indian Army, involved the governments in both countries. The negotiation was carried out at a high level and eventually the parties agreed not to engage agents in order to reduce the project’s cost. In 1985, the question for the Indian government was to choose between PIAT and Bofors. In the same year Rajiv Ghandi informed Olof Palme that the contract can be signed with Bofors and recommended minor price changes and removal of provision for the agents costs. Bofors, since 1970, had two unpopular notorious agents, one in Switzerland and the other in Panama. Bofors informed the Indian government that the agents were not to be included in the project. In 1986, when Bofors reduced the project cost, all the demands from the bulian government were fulfilled and soon after the contract was signed.

In 1986, the central bank in Sweden discovered that Bofors had paid 188 MSCr to the agent in Panama. The investigation started and Bofors declared that the Panamaman firm has always been as agent and the money is transferred legally. The Swedish Central Bank accepted the declaration. But the acceptance also meant that Bofors had not followed the demand of the Indian government. This resulted in an enormous reaction in the media and among various people in India. Rajiv Ghandi had earlierly declared that he was going to fight against corruption and now he himself was accused of being involved in corruption 1991. The media together with the opposition started to blow up the affair and declared that Ghandi “Mr Clean”, was a part of the Bofors’s deal. Several powerful ministers and parliament members proposed to Ghandi to annul the contract. Bofors was asked to disclose the names of agents who received money, otherwise the contract would be annulled. Bofors did not accept and stated that the information were secret. A legal procedure was started to investigate the problem and for a period it seemed that the problem was solved. In 1987, Ghandi together with the defence minister and few others declared that they were going to investigate the accusations. In 1988, an Indian newspaper printed an article about the secret payment of Bofors to the agents. The new figure was 319 MSCr. The article blew up again the affair and new articles and demonstrations against Ghandi started. The Ghandi administration tried in many ways maintain a distance from the problem, but it was impossible. The opposition started to take up the affair in the parliament and Ghandi had difficulty to defend his innocence. In the 1989 election the opposition took advantage of the accusations on Ghandi, and succeeded to defeat the Congress party. The whole election was dominated by the corruption changes against the Ghandi administration.
4. The Swedish Firms and Bofors Scandal

The following discussion is devoted to a presentation of 7 case studies (including Bofors). The emphasis is on the question of how Bofors scandal caused disturbances in the relationships between the other Indian buyers and Swedish TNCs. The information are gathered has been by interviews and published articles about the affair. The interviews with the responsible managers were carried out both in Sweden and India.

4.1. Sandvik Asia Ltd

This firm is the Sandviks subsidiary in Irdia. The operation is completely oriented toward selling specific Sandvik products. It has a dominant position and supplies a large percentage of domestically produced steel equipment. Moreover, the firm produces products for hard stone cutting, hard metal powder and products from Cormorant - a Sandviks subsidiary in Sweden- and also mining tools. The Indian market is covered by eight different selling offices located in different parts of the country.

The manager in Sandvik explained that the Bofors scandal did not have any impact on their business. One of the major reasons was that they have been operating in the Indian market for long time and the production and selling offices are recognised by people and authorities as native firms. The firm as a whole is not measured by the Indian authorities as a foreign firm. These values were also shared by Indian buyers. They believed that the whole scandal was a nonbusiness affair and did not have much to do with the real business world.

The buyers saw the firm, Sandvik Asia, as an Indian firm and not much as having a Swedish identity. The firm had been in the market since 1960 and before the scandal it had succeeded to expand in the market. Moreover, the identity of the firm has been under less attention during the scandal period. In this period several production units had been established in the country. They have more than 1200 local people working both in the administrative and production units. As a whole, almost all the recruitment is local. Based on this background, the firm had succeeded to establish a powerful position in the market. The firm has a unique condition since it is recognized as the market leader and delivers the whole as sortiment of special metal, tools to the steel and the mining industries and also to other primary sectors in India. This together with the local production units have increased the importance of the firm. The firm is recognized to have an important role for employment and for the
transfer of technology. These factors operating over the years had strengthened the firm and provided a leading position in the market.

As mentioned, the buyers belong to different state and private categories. But the scandal did not have any impact on the firm. In the category of the public sector, the firm plays an important role in the mining industry which is recognized as a prioritized sector by politicians in India. Despite of the incidents, the firm succeeded to keep a strong relationship with the public buyers. For the biggest buyers, the private ones, there was only the business rules which dominated the relationship.

4.2 Ericsson India Ltd
The firm is responsible for selling Ericsson’s products in India. The operation is mainly concerned with big individual projects like communication systems. The buyer usually is, the Indian Telecommunication Department (DOT). The managers in Ericsson, India stated that when the scandal became common knowledge in India, they started to be uncertain about the future. They believed that it was easy for the Ericsson negotiators to be connected to Bofors. This naturally could create problems for the marketing. In the election year, 1989, in more than 9 months there were a number of articles about Bofors in the media and thereafter Ericsson realized several unnecessary critical problems in negotiations with DOT. The firm was negotiating for several contracts with DOT about projects like internal switchboards. The projects also included a production unit with licensing and also direct delivery of components. Earlyer, the negotiations had proceeded well and the firm was very optimistic in getting the contracts. When the Bofors scandal broke started to dominate the media and Indian people, negotiation problems were encountered. The project group for DOT became harder and more detail oriented. This causes delays and high negotiation costs. Beside this, the problem was that Ericsson could not accurately predict the future. The competitors had become more aggressive to take over and finalize the contract. Immediately before the election, all negotiations were interrupted and DOT informed Ericsson that there would be no further order in the future. Ericsson’s managers tried in different ways to perceive the motivation for the decision, but did not succeeded. There was an implicit understanding among the DOT’s managers that they did not want to be connected to the Swedish firm specifically before the election. The managers in DOT advised Ericsson to have a low activity profile in the market.

After the election the business life became normal again. The negotiation restarted but again with more concentration on detailed rules. It seemed that DOT did not want
to face similar problems like Bofor’s buyer. After a delay for several years and increased costs, Ericsson and DOT finally signed the encountered contracts. However, the managers in Ericsson declared that the scandal had its effects in several ways:

a) the delay in the contractual agreement,

b) the repetition of negotiations,

c) intensification of the negotiation between Ericsson in Sweden and Ericsson in India,

d) uncertainty for the future since it also was costly to keep the personal on projects without any knowledge about the future,

e) increased costs.

Ericsson was established in 1971 in India. Despite of a long experience in India the firm’s identity was connected to Sweden and Bofors for several reasons. One was because the firm was famous for being associated with a foreign high technology and for the fact that Ericsson had a production unit in India with more than 150 local employees. The complex parts of equipment and marketing were produced and organized by Ericsson in Sweden. Ericsson India was responsible for simple marketing activities and production of parts with a lower technology. Another reason was related to the fact that Ericsson’s products were mainly sold to the big state buyers. It was for the second mentioned reason, having e.g., DOT as a buyer, which forced DOT to be very cautious in the crisis period. Specifically, during the election when the government tried to take a distance from the Swedish firms.

The position of the firm, as a Swedish high technological firm, was influenced by the Bofors scandal to such a level that the managers in Ericsson measured it as catastrophic. In 1989, when the government was under a high pressure, the election tactics forced the managers in DOT to undertake a very cautious relationship with Ericsson. Because of the Bofors scandal, the government did not want to give a big project to Ericsson which was identified with Bofors. The media and people could easily identify the both as firms having the same country of origin. There was a crucial effort from DOT and Communication Department not to be related to Sweden and Bofors’ corruption.

When the election was terminated and the Congress Party lost power to V.P. Singes, the new government did not see any problem for doing business with Swedish firms. Mainly because the scandal was mentioned less in the media and people were tired of hearing the name of Bofors. Beside that, Ghandi government had also lost its
dominance. It was only then that the business rules of the game started to dominate the negotiation. But, in the beginning of the recovery, the new government was very cautious mainly because the media had still a dominance in checking the state relationships with the Swedish firms.

4.3. Tetra Pak India Ltd

This firm with its packaging of milk products is strongly involved in the agricultural sector which is highly in India’s socio-economical system. The manager explained that despite of the high influence of the government in the food and milk production, Tetra Pak in India did not face many problems because of the scandal. In the process of scandal treatment in the parliament, the firm did not recognize any complications. The manager stated that the problem for them was similar to any other daily incidents in India. He mentioned that it happened that some buyers stated that Tetra Pak is a Swedish firm and tried to connect Bofors to Tetra Pak. But these statements did not become a hinder once to doing business. The directing manager believed that only those Swedish firms which have been engaged in business directly with the state departments were faced with business problems. After the removal of the old government in 1989, even the small problems that had emerged for Tetra Pak after the scandal had disappeared.

The fundamental question was if Tetra Pak really was recognized in the Indian market as a Swedish firm. It is true that the firm was established at 1988 when the scandal was passing its highest turbulence stage. But since the headquarter was in Switzerland some recognized it as a firm from Switzerland. It is not so unusual that the people have difficulty to differentiate between these two countries. It may be the case that sometimes when the misunderstanding stands for the benefit of a specific group, they do not make any effort to correct it. Tetra Pak was also connected to the Ministry of Agricultural which was not under the focus of the media. Compared to Bofors the firm had another buyer structure in the country. The products, similar to any other country, were sold to a large number of the local producers.

4.4. ABB Ltd. (Rihand-Dehli project)

The Dehli and Pihand project is a gigantic power station project with a cost over several billion SCr. The Swedish manager responsible for the project had been in India since 1985. He stated that the most practical evidence after the release of the information about the scandal in the media has been the increasingly and complicated bureaucracy. A typical example, he mentioned, was to get a visa and residence permit for the personnel. He believed that it was not the question of trust to the firm's
products or management. It was mainly because Indian managers and politicians had become frightened of making business with the Swedish firms. In a sense the Indian decision makers adapt all the details in bureaucratic rules. The reason was that the relationship with Swedish firms were in focus and a mistake could easily be found out. If a decision went wrong then the bureaucrats could explain that the reason was because of the rules and not them.

The consequence of such a conservatism in decisions caused change in the decision centres. As the decision makers became afraid of accusations for being connected to a Swedish firm - a potential risk for corruption - they send up the decisions to higher hierarchical levels. The problems extensively increased as there were changes in the project plans and commitments. It can easily be mentioned, he stated that, all the decisions, even small and unimportant ones, were sent to the decision boards. A simple and natural consequences of such treatment were delays, costly negotiations and uncertainty about the future. The uncertainty was so high that sometimes the question was raised if it was worth staying to give a bid for the project. He further explained that, it was not strange that Sweden was recognized as a small and suspicious country. He referred to the fact that those firms which has been in the country a longer period have had an advantage over others coming later. Since their belongings to Sweden is less as compared to firms which entered into the market later according to public opinion.

Despite the fact that ABB (ASEA) as a Swedish firm, has been operating in the country for more than 50 years, the belonging to the Sweden was unclear. This is also connected to the project’s size and the period that negotiation started. The critical problem was that it corresponded with the period of the scandal. ABB had a dominant role in the Indian market. The firm through two headquarters in two parts of the Indian and several regional offices, covered the selling of the products in the whole country. Beside these selling offices, ABB also has several production units in Bangalore, Mysore and Nasik.

The power transmission between the Riyand and Dehli was recognized as an important project which could strengthens the ABB’s position in the market. The project has been by the government mainly because of its importance in the industrial development of the country. It was therefore that the Indian buyers, NTPC (National Thermal Power Corporation) in reality did not want to lay down the project completely. According to their view, the scandal was used by the opposition to win the election. Therefore, the buyer had a low interest in cancelling the activities.
NTPC followed the cooperation, despite the fact that they recognized a high level of pressure from different state departments. Even the buyer noticed a high level of bureaucracy and complications in other state departments concerned this project. Accordingly, Bofors scandal slowed down the project development and activities.

4.5. Uri Civil Contractor AB

Uri Civil AB is a Swedish-British consortium which is responsible for a big dam project in Uri located in the north part of India. The group involves Skanska, NCC, ABB Generator, Sweco and the British Kvaemer-Boving which is managed in India by a manager from the Skanskas foreign subsidiary, International Civil Engineering AB. The negotiations for the construction of the dam started in 1985. It was the years that the scandal had started in the media. The question for the managers was if the negotiation is going to be influenced by the articles in the media, demonstrations and politicians. The Indian managers, because of the scandal, started to delay the negotiations. They renewed the demands and always asked the consortium for new additional information and also new different bids. The manager in the consortium believed that Indian's project group were not suspicious on Swedish firms in general. They tried to use the scandal to strengthen the group’s position in the negotiation. The major effort was to reduce the price of the project as far as possible. During the negotiations, the managers did not notice a direct accusation or discussion about the Bofors or the connection with Bofors. When the negotiation was progressing and the Bofors affair had become intensified, it was difficult in the discussions to deny the Swedish origins of the firms in the consortium. A positive factor was that the Uri project despite the engagement of the Swedish firms was not mentioned negatively in media. This made it difficult for the people and politicians to connect the project to Bofors. The major impact of Bofors, as mentioned before, was that the buyer’s project group demonstratively showed that they were obliged to follow the written low and rules literally. The protocol and orders in the negotiations were to follow the rules strictly. The details in the system were required to be checked and rechecked and therefore all the job became complicated.

Uri Civil is a mixed consortium but the major interesting groups had their origin in Sweden. Some firms like ABB with its transformer stations had been active before in the country. Others in the consortium saw the project as a possibility to penetrate into the market. Some managers explained that ABB's earlier engagement in India was one of the reasons that the position of the consortium was strengthened. Beside these, there were other reasons that the scandal only prolonged and complicated the negotiations of the project which was worth more than 5 BScr. The Indian buyers
could lose much if they wanted to cancel the project. Since the whole project was financed by the Swedish and English aid agencies, the Indian government had a low level of input in the project.

The counter part in India was NHPC (National Hydro Power Corporation) which was appointed by the Indian government., under the Gandhi congress party. The project was not discussed by the opposition or media because of among other reasons, the project was mainly financed by the Swedish and British governments. They also knew the risk that by a criticism of project the Swedish government may draw back the financial support. But on the other hand, the Indian authorities increased the bureaucratically complications that prolonged the negotiations and prevented the solution of problems. Despite the problems, NHPC because of the importance of the project and the Swedish financial support decided to continue the negotiations with the Swedish firms. The manager further stated that there was a period that they did not know if they really can have the contract. The whole process of negotiations because of the scandal, he denoted, had become more frustrating and time consuming.

4.6. Kokums AB

The firm had extensive marketing activities for selling sub-marines and shipping equipment. The bidding process and negotiations were arranged by managers from Kokums in Sweden. Kokum AB’s position in the Indian market was highly exposed because of the scandal. The reasons were e.g., the firm was a well known Swedish firm in the shipping and defence industry and the buyer was Indian’s navy. There was an unwillingness from the side of the Company to release information about the impact of the scandal in their business in India. But the facts show several characteristic similarities with Bofors. During and after the scandal the Indian’s defence ministry had been under revision and there were several criticisms from different groups against the Indian army and navy departments. The ministry and departments had received the most criticism and accusations. They also were under attack by media, opposition groups and people. Even several years after the scandal there was scepticism from different sides, with regard to the defence ministry purchasing from Sweden. It was general knowledge that there was no one in the defence ministry who wanted to jeopardise his future by doing business with a Swedish firm.
4.7. Bofors AB

Bofors AB naturally had been under the focus of the political opposition and media for special scrutinization. The firm was declared as the reason for the scandal and since 1989 the name of the firm is on the black list. The name has been adopted as a special word in the neologism of Indian’s vocabulary with the meaning of scum or corruption at a high level.

The manager who has been responsible for the delivery of the project to the Indian army tried not to make any comments on the impacts and the firm’s condition in the market. The manager stated that the most important aspect was Bofors to have a satisfied customer. He explained that in this project as compared to other scandals - where the customer has been unsatisfied- Bofors had made all efforts to fulfil the demands of the Indian army. Therefore, he proclaimed, they did not have much complications with the buyer. The Indian army wished them and still wishes to buy the products. They could not do so mainly because the issue had become a nonbusiness question. Despite the scandal, the cooperation had been functioning well with different ministries as well as with the Indian army’s personnel. All the Indian partners have knowledge about the situation and noted that the question has become a non-business issue.

Obviously, Bofors was the firm which had been impacted the most. The name of the firm is on the black list. Therefore, the firm had withdraw itself from the market. Accordingly, it had become difficult for the Indian army to have the delivery of all the 1200 piece of artillery that was included in the contract. The army wished to fulfil the contract and signed new contracts because of the quality of the products. But no one dare to become close to the firm.

5. Analysis

The cases simply illustrate the interaction of the business and nonbusiness actors. The street demonstrations, opposition groups and media influenced on the government and forced them to make some changes in the business relationships. Some of the Swedish firms because of the Bofors scandal were faced with problems. despite the fact that these firms had no business relationship with Bofors. We can identify five types of relationships changes because of the scandal. Bofors itself was faced with an embargo after 1989 notwithstanding the fact that the buyers saw no problem to continue the business interactions. The second type is shown by the Kokums relationships which encountered higher risks due to the pressure from the media,
people and opposition groups. The firm was Swedish, the project concerned the same industry as Bofors and the buyers had the same origin. The third one concerned the business relationship with Ericsson India in which the contracts were set-back and Ericsson could not get the contract. The fourth type was increasing bureaucracy for Uri Civil and ABB India. The Indian partners became very cautious in negotiations because they did not want to fall into similar problems as Defence Ministry. The fifth concerns the three Swedish firms, Tetra Pak, Sandvik and Elof Hansson India which continued as before with no turbulence in the business interactions.

With respect to the question of why the coercive actions varied among the Swedish firms, one answer is related to the characteristics of the buyers. Those Swedish firms which had public buyers, i.e., those which were connected to the Indian Defence ministry, were faced with severe problems. By contrast, those firms which had private buyers and were engaged in the country for long time, faced only minor problems. The Swedish identity of these firms was weaker. The influence had also a changing nature in the process of time. The coercive impacts had highest effects when the situation was discussed in the media and people demonstrated. When the opposition group took over and other social problems occupied the media, the impact became less specifically for the third and fourth types of firms mentioned above. The impact increased again when new information was released and demonstration started again. ABB and Uri Civil unfortunately were negotiating exactly when this latter incident had its highest impact. Kokums received the highest impact mainly because the partner was the Indian navy.

6. Conclusions

The industrial network mainly regards the relationships between the business actors. Integration of context into the network model introduces a need for studying of the interactions between the business and non-business actors. The cases illustrate extreme condition but they simply provide concrete examples for understanding the relationships between the business and non-business actors. The non-business actors can be seen as a system containing political actors, people, media which interact with the business actors. They all need each other and somehow are interdependent. The facts in the cases lead to several essential conclusions. The first is the interaction of the nonbusiness and business actors. No matter how strong the relationships are between the business actors or how willing the partners are to make exchange the nonbusiness actors by their coercive or supportive actions can interfere in the relationships. The same interference can be observed from the business actors on
nonbusiness actors when, e.g., a business actor decides to leave the market despite of the needs of nonbusiness actors. The integration of the nonbusiness actors make the study of the business network more complicated. The coercive-supportive actions undertaken by actors far in the horizon, despite of no exchange relationship, establishes a need for development of conceptual tools in the network model.

The next conclusion concerns coercive-supportive interactions between business and non-business actors. In this connection the hypothesis is, "the closer the business actors are to the nonbusiness actors, the higher is the influence of supportive or coercive actions." The cases illustrates that despite the absence of an exchange relationship in between these actors, the connection to an actor far in the horizon can strengthen or weaken or even interrupt the strong focal relationship. The influential role of the media or people in the streets on business relationships can always be observed in the daily news. The final conclusion concerns the influence of business relationships to each other. Bofors had a relationship with the Indian Army. The other business actors had no business relationships but became influenced. It can be concluded that a relationship can be influenced by other relationships notwithstanding the fact that the actors have no business exchange and are really far from each other. They, as the cases illustrate, were connected to each other because of belongings to Sweden or a country of origin. Accordingly, the hypothesis is that, "a relationship may be influenced not because of the business relationship, but because of belongings to a network. All business and non-business network in a society or country can be seen as one network having one identity". This identity integrates all actors having/not having business relationship. These actors can obtain coercive or supportive actions from other networks mainly because of having one identity and not because of having business exchange.
7. References


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