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FORFATTER(E)		VEILEDER: Professor Dr.Terje I. Vaaland
Studentnummer: 226993	Navn: Hege Mjånes Skram	

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Abstract

This case study looks into one of the inevitable outcomes of a buyer- seller relationship, the negative incidents. The hypothesis in this study is to increase the understanding of where the origin for cause of negative incidents, i.e. conflicts, arises from in a buyer- seller relationship in a complex project.

The empirical research undertaken for this study was done by using data from three selected dyads. The collected incidents were applied in a questionnaire used in an interview with stakeholders from the dyads, they were asked to grade the incidents of conflict according to two sets of constructs.

Case studies do have challenges when it comes to generalisation as the only certainty comes from the informants and the case one has studied. Another limitation is the selection, the study has a fairly small selection of participants and that the dyads are picked from the same project.

In identifying and explaining where the origin for cause of conflict arises from in a business relationship, the characteristics of governance mechanism are applied because they can indicate the origin of conflict. And if a conflict in a dyad primarily is associated with one of the two governance mechanisms one can assume that the weaknesses in that type of governance mechanism is the main source for the emerged conflict. In addition the participants' perception of importance of the incidents could have an effect on how they rate the governance mechanism, especially if they are in doubt with regards to the cause of the incident, and consequently the perception of importance was the second set of constructs applied in the study.

The results revealed that the higher the perceived importance the higher the tendency towards lack of formal governance and conclusion of this study is that lack of formal governance causes the majority of conflicts in the buyer- seller relationship. It would be beneficial for both buyer and seller to put focus on and strengthen the formal connection of the relationship, as this could possibly prevent and eliminate potential costly conflicts, resulting in saving both time and costs and increasing the ability to compete.

Foreword

This paper marks the end of a three year study at the University of Stavanger in the master program Executive Master in Business Administration (EMBA). The program have been accomplished and completed while attending a fulltime job in addition to family life. The process has been educational, rewarding and occasionally really time consuming. This paper is a standalone product and at times I felt it could have been beneficial to have a partner sharing the workload with, however I'm content with the outcome and are now ready for new challenges.

The hypothesis for this paper is to identify the origin for cause of conflict in a business relationship. The oil industry has been and is currently experiencing a cost focus and cost cutting period. And in identifying the origin of conflicts in business relationships it will be possible to prevent and thereby eliminate potential costly conflicts, resulting in saving both time and money for all parties in the relationship and increasing the ability to compete.

I would like to express my gratitude to my family for all their patience and support through all my years of studying. Many hours in both afternoons and weekends have been spent away from my family and still they supported me and kept my spirits up. I would also like to give a big thanks to my employer Kvaerner AS for making it possible for me to further develop my professional skills, and to Rasmus Engeland, Stein Birger Lekven and Arne Engevik for their support and guidance.

Much gratitude shall also be directed to my guide at UIS, Terje I. Vaaland. His advice and guidance has been invaluable for the development and progress of this paper.

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1. Introduction

1.1 The Thesis basis

In the Norwegian Oil industry large and complex projects are executed continuously. The Norwegian shelf is in constant development and new offshore platform are being built and installed. In building offshore platform a wide range of different contract modules has been utilized over the years. EPC contracts have in recent years been the preferred type of contracts for the large oil companies. An EPC contract contains Engineering, Procurement and Construction work. There is a wide range of how and to whom the contracts are assigned. One of the models used is awarding the E and P (engineering and procurement) to a Norwegian engineering company and then award the C (construction) to an Asian construction company. Another example is, as is the basis for this paper, to award the whole EPC to a Norwegian Contractor. Even though the contract is awarded to a Norwegian company does not mean that all the work will be performed in Norway. A common practice is that the Norwegian Contractor will outsource part of the work to international company. The main focus is on making and awarding these contracts, in both the oil companies' and the contractor's organization, less focus it seems to be on the relationship that is a result of these contract. Oil Companies entering into a contract with a Contractor for building an oil platform creates a buyer- seller relationship.

Contractor assigned the EPC contract further outsource parts of the work, entering into new contracts with Subcontractors, and consequently new buyer- seller relationships are created. Between two companies where there is a functional interdependency, as in a buyer- seller relationship, negative incidents as conflicts are inevitable and a part of the relationship throughout.

1.2 The structure of the Thesis

This case study looks into one of the inevitable outcomes of the buyer- seller relationship in a complex project and that is negative incidents. The goal is to increase the understanding where the root cause for negative incidents, defined to be conflicts, arise from in a buyer-seller relationship within a complex projects. A complex project is defined, in this paper, to be the EPC contract for building an offshore platform.

The setting for this case study is the contract entered into by Contractor and his Subcontractor's for fabrication of steel sections. The formal contract between the buyer and seller is the framework for the project, and a tool for preventing unwanted incidents.

Data is collected from the Edvard Grieg project, awarded Kvaerner AS by Lundin Norway AS an EPC contract. Kvaerner AS awarded three Construction Companies in Poland with FC contracts for the fabrication of large steel sections.

CRIST Offshore S.A was awarded a contract for fabrication of steel section with a total weight of 3000 tons with a fabrication time of approximately a year. The work included for prefabrication, pinning for insulation and painting. Similar contracts were awarded to Mostostal Pomorze S.A (MPG), for steel section of approx. 3200 tons, and to VISTAL Gdynia S.A for steel section of approx. 3300 tons.

Experience shows that in large complex projects, there are numerus negative incidents, i.e. conflicts, in all the aspects of the various business relationships.

The theoretical basis for this paper is focused around the subject of business relationship, buyer- seller, and the effect of conflict in such setting. Literature used was part of the curriculum for the EMBA study at The University of Stavanger EVU and from searches in the Universities subject database, the majority of the literature is from articles found in the UiS database. The most used search words used were conflict, business relationships, and effects of conflict in buyer- seller relationship, governance mechanism, and trust in a business relationship. Some tips on search items were received from my mentor at the university Terje Vaaland.

The empirical research undertaken for this paper was done by using data from experience reports and from registered formal communications in the dyads. The collected incidents are

applied in a questionnaire used in an interview of stakeholders from the dyads, where they are asked to grade the incidents according to a set of governance mechanism and importance.

The method and execution of this study is inspired by the published work of Vaaland (2002b). To identify the root cause of conflicts a set of constructs have been applied, these are governance mechanism and the perceived importance of the incidents. Two types of governance are applied, type one is the informal governance, the human factor and informal interaction are the focus points. The second type is the formal governance, the contract, procedures and formal plans are the focus points.

The result of incidents analysed by the dyads, will be analysed up against the chosen theoretical data. The aim is to better understand the root cause of conflicts, where they arise from in a buyer- seller relationship within a complex projects.

1.3 Where is the origin for cause of conflict arising from in a buyer-seller relationship

The research question in this study is; where is the origin for cause of conflict arising from in a buyer- seller relationship, within a complex project. The aim for this paper is to better understand where the origin of conflicts comes from in a buyer-seller relationship, as this concerns the quality of the relationship and could also affect the decision of prospective business between the parties. It is described in literature that people sharing dissimilar characteristics are assumed to hold dissimilar beliefs. This could lead to conflicting interactions during the relationship, resulting in emotional instability, doubt, uncertainty and questioning of the validity of the counterparts' views. Resulting in a more less comfortable and unpleasant relationship (Prince, Palihawadana, Davies, & Winsor, 2016). In understanding the root cause for conflicts it might contribute to avoiding such poor relationship quality and as a result experience fewer conflicts.

To identify the origin of conflict the use characteristics of governance mechanism can be applied. The governance mechanism between business partners refers to the mechanisms in a relationship that guide the parties' behaviour (Liu, Luo, & Liu, 2009). In this paper two constructs have been chosen to identify the governance, and that is lack of informal/ formal governance mechanism. If a conflict in a dyad primarily is associated with one of the two

governance mechanisms one can assume that the weaknesses in that type of governance mechanism is the main source for the emerged conflict (Vaaland, 2002b). Putting effort and focus on improving the identified weakness could contribute to fewer conflicts and a healthier relationship securing cooperation for future projects.

2. Theory

When a buyer and a seller enter into a business relationship a framework is created for which subsequent interactions can take place. Such interactions could be activities as coordinating interdependent production, logistics, development, and administrative activities and resources. The dyadic relation should be considered within the context of the interactions (Holm, Eriksson, & Johanson, 2015). The relationship between buyer and seller, i.e. the dyadic relation, will be affected of both positive and negative incidents.

A negative incident is defined as a situation observed as a deviation from the expected by either or both parties in the relationship and caused by a failure or change in the interactions or the context (Holmlund & Strandvik, 2005).

Negative incidents are a wide term and can range from conflicts, misunderstandings, stress, challenges and so on. Such incidents are perceived to be disturbances in a business relationship and can change the dynamic in the relationship.

Negative incidents are important to investigate and understand as they may change the nature of the relationship. The relationship may even dissolve due to a single negative incident.

Due to the attention level and sensitivity related to negative incidents in business relationship this paper will study where the origin for cause of conflict arise from in a business relationship. The study will be based on an episode- oriented perspective with focus on conflicts in dyads.

Lengers et al. (2015) sums up in their study that scholars agree to that business partners avoids relationship-damaging behaviour and opportunistic actions that might threaten the relationships continuity as long as the boundary promises valuable future transaction, reflected by high levels of relational norms. Could this mean that conflicts in the majority are related to lack of formal governance as the informal governance are associated with the social aspect of the relationship?

2.1 Definition of Conflict

Folger, Poole and Stutman (2005) define conflict to be the interaction of interdependent people who perceive incompatibility and the possibility of interference from others as a result of this incompatibility. In this paper the interdependency is identified to be in the seller- buyer relationship.

The assumption of that conflict should not be considered as a single phenomenon form the basis of that a study should include more than one measure (Duarte & Davies, 2003).

2.2 Measuring conflict

There are several studies of the phenomenon conflict and various measures have been used. According to Duarte & Davies (2003) one of the most frequent studied state of conflict is manifest (conflict is perceived to exist). The conflict is measured by first identifying major areas of disagreement and the asking the stakeholder to rate them in terms of the perceived amount of conflict (ibid.). In this paper the disagreements, the incidents of conflict, will be collected from 3 dyads, and stakeholders from the dyads will be asked to rate them within a set of governance mechanisms.

2.3 Use of governance mechanism

In identifying and explaining where the origin for cause of conflict arises from, the characteristics of governance mechanism are applied because they can indicate the origin of conflict. Use of governance is the means by which order is accomplished in a relationship in which potential conflict threatens to undo or upset opportunities to realize mutual gains (Williamson, 1999) . Said in other words governance between business partners refers to the mechanisms in a relationship that guide the parties' behaviour with the aim of fulfilling some common objectives (Liu et al., 2009)

Theoretical basis for this paper is the assumption of that events of conflicts in the buyer- seller relationship, are related to authority or trust (Vaaland & Håkansson, 2003).

According to Våland (Vaaland, 2002b) use of governance mechanism characteristics will identify the point of origin of the conflict. And if a conflict in a dyad primarily is associated

with one of the two governance mechanisms one can assume that the weaknesses in that type of governance mechanism is the main source for the emerged conflict.

Critical events from 3 dyads will be assessed by using two selected constructs. This will provide a basis for analysing where the origin for cause of conflict arises from in a buyer- seller relationship. Constructs chosen for the assessment is formal and informal governance mechanism (Vaaland, 2002b). The approach is if the majority of conflicts arise due to lack of formal/ informal governance mechanism, then it could be beneficial for the business relationship to focus on improving the identified area. The approach has been used in a wide range of research but the constructs have varied in labelling, informal governance mechanism is often defined as relational governance mechanism.

The formal agreement between the parties, the contract, is regarded as the incentive of authority and in this study interpreted as part of the formal governance mechanism construct.

The buyer and seller are bound together in a contract, the formal framework of the relationship. A contract is defined as; to enter into or make a contract. From the Latin word *contrahere*, to draw together, bring about or enter into an agreement (Domberger, 1998). Contracts are used explicitly to stipulate the course of action to be taken in the event of unforeseeable situations, and are intended to provide a safeguard for minimizing losses arising from the inherent hazards of exchange faced by both buyer and seller (Williamson, 1989).

Yu (2006) discovered in their research that the formal governance mechanism dominate the buyer- supplier relationship. Also a common apprehension is that the formal contracts actually undermine trust and thereby encourage the opportunistic behaviour they are designed to discourage. But in newer research done by Zhang & Zhou (2013) it is asserted that scholars not have reached a consensus on the joint effect of formal and informal governance.

However, the existence of trust between two partners can help to facilitate joint planning and problem solving and can help to create a stable and committed relationship. Trust is frequently considered to be the positive expectations one party has about another party's intentions. That is, trust is one party's confidence in another's goodwill (Yu et al., 2006).

How the parties in a business relationship interpret incidents of conflict can be revealed by using relationship constructs as formal and informal governance mechanism. Vaaland's (2003) conceptual model, figure 1 below, that show three elements that have an effect on how these

incidents are interpreted by the parties in the business relationship. First, characteristics with the parties play a role. Second, the business atmosphere between the project team (buyer side) and the subcontractor (seller side) play a role. Last, the environment labelled “the oil industrial network” in this figure, has a role towards the atmosphere and further in relation to the participants.

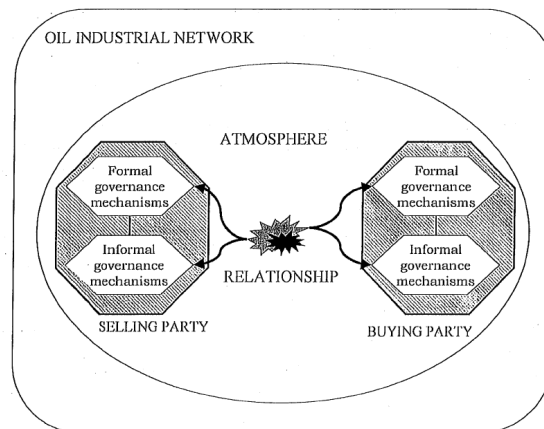


Figure 1: Conceptual model

2.4 Informal governance mechanism

Informal governance mechanism are related to the social dimension (Vaaland & Håkansson, 2003) in the buyer- seller relationship. Relationship quality is a construct that represents the overall direction and strength of the buyer–supplier relationship (Prince et al., 2016)

Examples of informal governance mechanisms are lack of informal communication across boundaries, lack of ability to see new possibilities in improving project activities, lack of willingness to take risk together with opposite party, no predefined rule or routine could present the event from emerging and lack of mutual trust (Vaaland, 2002c).

Trust is the foundation for personal connection, for developing mutual understanding and for a relational identity (Vaaland, 2002b).

Trust is an important concept in understanding expectations for cooperation and planning in a relational contract (Dwyer, Schurr, & Oh, 1987). And relationship quality is a construct that represents the overall direction and strength of the buyer–supplier relationship (Prince et al., 2016).

Dissimilarities can be a contributor to mistrust and people sharing such dissimilar characteristics are assumed to hold dissimilar beliefs. And according to Prince (ibid.) this can lead to conflicting interactions during exchange of views and attitudes, and could then reinforce emotional instability, and offer doubt, uncertainties, and question of the validity of their counterparts' view. Further, disagreeable interaction can bring mutual misunderstanding, while increasing stress and anxiety. The outcome will be more less comfortable and unpleasant relationships (Prince et al., 2016)

Li et al. (2010) describes trust in a business relationship as help to overcome the incompleteness a contract has. As a contract cannot specify all types of useful and needed information required to optimize exchange performance, trust will encouraging the exchange of contractually unspecified items. Li et al. (2010) describes that the parties are willing to go beyond contractual stipulations because of normative conventions underlying trust-based relationships, such as feeling obliged to provide accurate, timely information.

Conflicts associated with lack of informal mechanism are likely to be solved by improving social interaction and the parties mutual understanding of each other (Vaaland & Håkansson, 2003). One can assume that the basis for opportunistic behaviour will decrease as the parties gain more trust in each other and that the dissimilarities in the relationship known and respected.

Another key determinant of informal governance is according to Poppo and Zenger (2002) the duration of time that the two parties have worked with one another because a history of trade is necessary for the development of relational norms.

2.5 Formal governance mechanism

Lack of formal governance highlights the importance of contracts between companies and the formal rules to safeguard against opportunism and conflict. Formal governance are in some studies referred to as contractual governance (Cao & Lumineau, 2015). Cao and Lumineau (2015) exemplified formal (contractual) governance as define outputs to be delivered, specify monitoring procedures, and detail duties, rights, and contingencies. In this paper authority and requirements described in a contract is also regarded as formal governance mechanism. Lack of formal governance can be events primarily associated with lack of precision or understanding of contract or specification/ standards, better monitoring and control would prevent the event from emerging, procedures and routines are important, but not sufficient to

prevent emergence of events and events should be reduced to a minimum in order to keep high project efficiency and effectiveness (Vaaland, 2002c)

Conflicts associated with lack of formal governance might arise due to lack of contractual details, unclear formal procedures or unawareness of predefined patterns of behaviour (Vaaland, 2002b)

These types of conflicts are perceived as problems that should be avoided (ibid.). Williamson suggested that appropriate contracts might mitigate an accusatory relationship between cooperative partners (Williamson, 1989).

Yu (Yu et al., 2006) discovered in their research that the formal governance mechanism dominate the buyer- supplier relation.

However in newer research done by Cao and Lumineau (2015) they discovered that informal governance can complement formal governance by creating new contractual mindset.

2.6 Importance

The participant's perception of importance of an incident of conflict and the type of governance mechanism associated with the incident of conflict, could there be a connection or an impact between the two?

Vaaland (2002b) found in his research that the most important incidents have financial consequences. And therefore leads to a formal pattern as it is easier to claim payment within a formalized governance structure. Mapping the participant's perception of importance for the incidents could reveal if Vaaland's finding also are valid for this study. In addition to affecting the results it could also have an effect on the input used as a basis for this study. Meaning items logged in the experience reports are presumable logged because the writer of the report perceives them as important. Some of the inputs used in this study are form formal correspondence and this type of communication normal concerns items that could have an economic effect.

The participant perception of importance for the incidents could have an effect on how they rate the governance mechanism, especially if they are in doubt with regards to the cause of the incident. Because some incidents could be perceived as not important when occurring once however upon frequent reoccurrence the impact would be greater and result in financial

impact and therefor regarded as caused by lack of formal governance. But by rare occurrence it does not have such impact and is therefore regarded to be caused by lack of informal governance mechanisms.

In the questioner used in the study participants will be asked to rate their perception of importance for the incident of conflict from low to high, and a scale of 1 to 5 will be used, were 1 is low and 5 is high importance. Looking at the correlation between the governance mechanism and the importance could give an indication of a relationship between constructs.

3. Design and Method

The object is to perform a case study where various incidents will be mapped and then having participant from the dyads rate the incidents against two sets of chosen governance mechanism. The outcome will be analysed towards chosen literature.

3.1 Design

The case study in this paper is descriptive and formed by qualitative empirical data in an inductive design. The paper could also be regarded as exploring, as it might give new knowledge in area where there is little prescience.

The context of this paper is a complex project in the oil industry, where 3 dyads have entered into fabrication contracts (FC Contract).

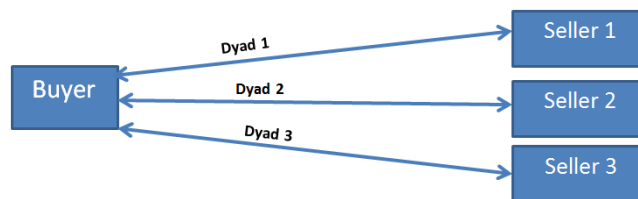


Figure 2: The Dyads

The empirical research undertaken for this paper was done by collecting incidents from experience reports and registered formal communications from the dyads. The selected incidents are then applied in a questioner used in a structured interview with stakeholders from the dyads, where they are asked to grade the incidents. In order to secure that the incidents are understood by the stakeholders, the writer will read them for the participants. However it's important that the interview do not turn out to be a discussion about the content of the incidents.

The process set out in this paper is firstly to define the research question and then collect the incidents. The sellers will be invited to join the study and asked to issue their experience

report via letters. Information from the buyer's side is accessible to the writer as an employee in the buyer company. The buyer's representative in the Edvard Grieg project is supporting the writer towards the sellers and with information about the project. Chosen theory and methodology shall be connected to the incidents in the analyse part of the discussion chapter. All collected information and theory shall mount out to a conclusion which should answer the research question. The flow diagram below show the overall processes of this paper.

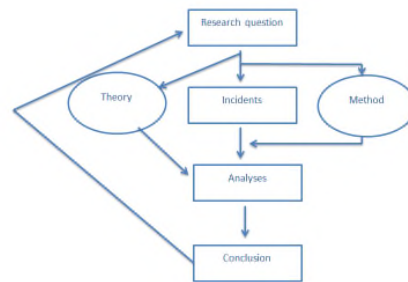


Figure 3: The research process

3.2 Research setting

The method and execution of this study is inspired by the published work of Vaaland in *Emergence of conflicts in complex projects* (Vaaland, 2002b).

The empirical research undertaken for this paper was done by using data from experience reports and registered formal communications in the dyads.

Data was collected by use of experience reports from both buyer and seller from one dyad. On the buyer side data from experience report was the main source, due to two of the three dyads not having an experience reports data was collected from registered formal communication between seller and buyer, i.e. formal e-messages and formal letters.

The constructs lack of formal and informal governance mechanism have been conceptualised and successfully applied by Vaaland & Håkansson in their study of interorganizational conflict in complex projects (2003). For exemplifying formal and informal one can look to Vaaland (2004) where formal can be associated with lack of routines, plans, contractual details, and informal is associated with words like inflexibility, inability to handle the unforeseen and trust.

3.3 Collecting data

A letter was issued to all three sellers asking if their experience report from the Edvard Grieg project could be made available for the writer. Response in writing was received from one of the sellers, two of the sellers communicated verbally that they did not have any experience report from the project in question. On the buyers side there was an experience report covering all three dyads made available for the writer. In order to ensure input from all sellers' data was collected from buyer's communication database, containing e- messages and letters from the sellers sent to the buyer.

A total of 105 incidents were collected and 29 were selected for use in this paper. The chosen incidents are a mix of incidents identified by both parties and incidents only identified by either buyer or seller. The incidents have been sharpened by the writer to enforce the underlying dimension in the incidents, this information was given to the stakeholders in the dyads avoiding the risk of new conflicts arising.

Selection of incidents was made by using three criteria's. Firstly incidents that indicated a perceived disagreement from either buyer or seller's side, secondly incidents that was repeated and stated by both buyer and seller. Thirdly it was important that all dyads are represented with incidents picked from their relationship.

Stakeholders from all three dyads will, in the presents of the writer, one party at the time, grade the incidents according to two sets of parameters, informal/ formal governance and importance (high/ low). In order to secure that all stakeholders have the same comprehension of informal and formal governance an example will be used.

3.4 Organizing and analysing data

Incidents collected are gathered in an excel spreadsheet and copies are made for use to each interview. Criteria's for classification of all collected incidents are based on Vaaland's definitions (2004). First the incidents are classified with regards to the perceived association with lack of formal versus informal governance mechanism, and secondly the perceived importance of the incident. The criteria were measured in a five- point scale, with value 1 as

pure informal governance and value 5 as pure formal governance, with importance ranging from 1, lowest importance, to 5, highest importance.

Determining who to assess the importance of the incidents is challenging. The perceived importance of an incident will vary from individual to individual. It is influenced of frequency and force. An incident can be perceived as being of great importance in a short time perspective, however in the long run the same incident may be perceived as insignificant, and vice versa (Vaaland, 2004). The issue was left up to the participants to define for each interview. The item is further addressed in the chapter Discussion.

The results of from all interviews will be presented graphically to reveal dissimilarities between the different stakeholders in all dyads. In addition the correlation between the constructs, the dyads and the three connections will be calculated to address the relationship between the different factors. Correlations between cause of the incident and importance could give valid information to if there is a link in the more important an issue is perceived the more tendencies towards formal governance, as research indicates that the most important incidents have financial consequences (Vaaland, 2002b).

The incidents are further organized into three main connections; deliverables connection, resource connection and relational connection. In order to give an indication of the findings, for each of the three main connections an average value is calculated and presented in a zone grid as designed by Vaaland (2003) and shown below.

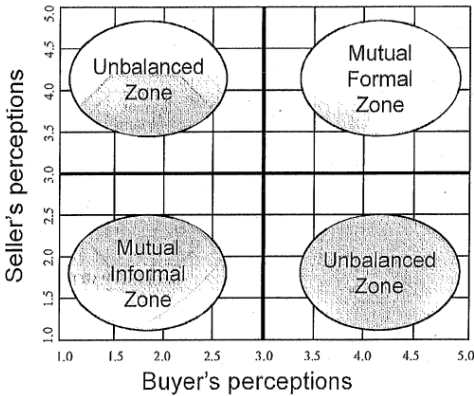


Figure 4: Zone Grid

The outcome will be analysed towards the chosen literature. The result of the analyse should indicate why the input from dyads might be conflicting and give an indication to what one should increase focus on in the buyer- seller relationship.

3.5 Credibility and validity

In this paper multiple data sources were used to lay the grounds for a good qualitative research. Converging findings from different sources increases, according to Yin (2013), the construct validity. In order to achieve internal validity and credible findings, and not spurious connections, methodology from Yin (2013), were applied.

It is important to protect the interest of the participants (stakeholders from the dyads), discretion and diplomacy were keywords in the process. The participants were informed about the purpose of this paper and to what extent the paper would be available for the public. No restrictions were given by the participants.

The purpose of this paper is to create understanding of a social phenomenon (were the origin for cause of conflict arise from in a buyer- seller relationship) and creating credibility is therefore crucial. According to Stenbacka (2001) credibility in qualitative research is created when the informants are part of the problem area and if they are given the opportunity to speak freely according to their own knowledge structures. Information was collected from dyads and people from the same dyads were interviewed, thereby creating credibility as people from the dyad would be defined as strategically well- chosen informants, as described by Stenbacka (2001). To obtain the external validity in this paper focus has been on the quality of the literature, good quality gives room for using analytical generalizations.

4. Results

In this chapter the result from the study are presented. The questioner applied in the interviews is the source for the results. Three dyads was invited to participate in the study, ref. figure 2 in chapter 3.1 and response where received from two out of threes dyads.

Subcontractor VISTAL did not answer to the enquiry, consequently three parties gave input on the questioner (MPG, CRIST and KST), and this implies that the results potential has a 25% error margin.

The hypothesis in this paper was to find out if there is a clear root cause for the origin of conflicts in a business relationship. The root causes were defined as a set of governance mechanisms, formal and informal governance mechanism. The participants were asked to rate their perception of the cause of origin of the conflict in a scale of one to five, where one would be due to informal governance and five due to formal governance, the participants were also asked to rate their perceived importance of the incident in a scale of 1 to 5.

If the cause of origin for a conflict is rated in the higher end of the governance scale, that would indicate the conflict arising due to lack of formal governance in the relationship. And if the rating is in the low end of the scale this would indicate the cause of conflict being due to lack of informal governance in the business relationship. The results from the questioner for the cause of origin to the conflict have been plotted in to a spreadsheet and results from the seller's (subcontractor) side have been added up in order to give a clear buyer- seller perspective. Result displayed in figure 5 below show a relative spread result. The majority of incidents are rated at the higher end of the scale 3-5 and spread out in the balanced formal- formal zone and the unbalanced formal- informal zone fairly evenly.

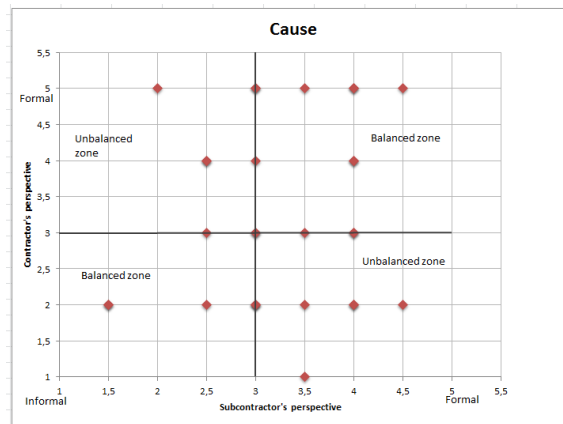


Figure 5: Overall result- formal/informal governance mechanisms

This result contains the rating for all 29 incidents and analysing all these results to find the root cause of conflict is not expedient for this study, because it is not the cause of a particular incident that is the centre for this study, but it is the governance that dominates the reason for conflict in the relationship. The correlation in the overall result between the sellers is quite low $r= 0,047$, indicating a divergence in the sellers understanding and perception of the cause of the incidents. Also incidents collected are not necessarily experienced by all the participants and thereby effecting the score given by the participants. A source of error is also that the writer might not have explained the concept of formal and informal governance sufficiently and thereby creating a source for error.

The correlations within the dyads indicate the possibility of discontinuity as the results are opposite each other. The correlation within dyad 1 (KST- CRIST) is $r= 0,30$, meaning the parties have scored the cause of the incidents quite similar with regards to lack of informal or formal governance mechanism, and for dyad 2 (KST- MPG) the correlation coefficient is $r= -0,05$, the parties in the dyad are not in agreement as the correlation coefficient is negative, indicating that the parties have rated the cause of incident on opposite sides. This is a gross result and therefore to better focus and determined is this is the actual case I have chosen to divide the incidents into three main categories based on the connections of the incidents. This will help to keep an elevated look at the incidents, not being distracted by small details of each incident, and to have focus on some of the areas where conflicts occur. The categories are the Deliverable connection, the Relational connection and the Resource connection as displayed in figure 6 below.

The Deliverables Connection concerns mostly incidents of conflict that arises due to lack or faulty delivery of materials and drawings from buyer to seller.

The Recourse connection concerns the parties use and priority of their man power, resulting in conflicts because it is not in line with the opposite parties expectations.

The Relational Connection mostly regards the communication between the parties in the dyad, with lack of communication or misunderstandings not addressed.

No.	Source	Cause			Importance			Incident
		MPG	CRI	KST	MPG	CRI	KST	
Deliverables connection								
20	Kvaerner	3	5	5	4	2	5	Due to deliveries of drawings being late and the significant number of revisions there is a threat of schedule consequence
47	MPG	4	4	4	3	1	3	Late issue of temporary structure drawings and padeyes for loadouts, resulting in planned activities being postponed.
45	MPG	2	4	5	4	2	5	A big challenge for Subcontractor was to make prefabrication completed on time when material was delivered with many defects
57	MPG	2	3	3	5	2	4	Lack of material for sections already issued for production
75	Crist	3	3	3	2	2	3	Time spent in transferring materials between sites due to custom clarens resulting possible schedule consequences
101	Vistal	1	4	4	2	2	4	Cancellation of second shift due to lack of materials delivered from Contractor
Resource connection								
14	Kvaerner	4	4	3	2	3	3	Measurement by KST very late and causing delayed close out and settlements with subcontractors.
23	Kvaerner	4	3	1	4	3	3	Crowded activities on the quay side posing an HSE and efficiency challenge
31	Kvaerner	4	3	3	4	3	5	Lack of manpower resulting in difficulties to peak manpower when required. Resulting in KST had to mobilize some Polish operators under own direct control.
33	Kvaerner	5	3	2	4	3	4	Predictability of deliveries from Subcontractor's prefabrication to low
34	Kvaerner	5	3	5	4	3	4	Predictability on deliveries of Subcontractor's fabricated sections to low resulting in delivery being postponed
38	Kvaerner	5	3	4	5	2	4	Contractor is of the opinion that Subcontractor is underestimating the amount of work, and thereby not taking responsibility for surface protection w.r.t. schedule
53	MPG	3	3	2	3	3	4	Lack of consideration for the periode of Mechanical Completion before shipment during planning and scheduling.
55	MPG	2	4	3	4	3	3	Site Queries system was working too slow. Some decisions could be taken by Site Team instead of waiting couple of weeks for DCC decision or approval only. It could save also much time spent on simple solutions
66	Crist	5	4	2	5	4	3	Lack of system for handling guarantee prior to issue of Completion Certificate, due to guarantee periode starting at issue of CC, resulting in Subcontractor not being able to obtain guarantee until receiving CC
71	Crist	1	3	5	2	3	3	Order and tidiness must be improved on the module
105	Vistal	2	4	2	1	3	2	Lack of issue of design requirements from Contractor side; Please send us asap new ogland (material selection) catalog. It needed for material control and design office.
Relational connection								
1	Kvaerner	2	5	5	1	4	4	Misunderstandings w.r.t the Use of Letter of intent
26	Kvaerner	3	3	5	3	2	4	Agreements made on actions in meetings, but lack of response (slow reactions, and to little).
27	Kvaerner	4	2	2	3	4	3	Seems to be a lack of professionalism in managing projects from Subcontractor's side
32	Kvaerner	2	3	2	4	3	4	Lack of competence regarding construction planning and reporting.
41	Kvaerner	4	5	5	2	3	5	Lack of commitment resulting in a delayed start-up of project with 4 weeks
83	Crist	4	4	2	2	3	3	Lack of communication regarding mechanical equipment delivered by Contractor, resulting in Subcontractor had to rent a dedicated store giving unforeseen costs
85	Crist	1	2	2	2	2	3	Prior to long weekend Contractor verbally proposed to attract operators to stay at work by ekstra payment giving a risk of misunderstanding w.r.t who will pay
86	Vistal	1	2	2	1	1	2	Misunderstanding w.r.t Rest brakes at Subcontractor; From the beginning of the project as Vistal informed many times KST there are 3 rest brakes at: 10:00, 14:00 and 20:00. There is also change brake between shifts from 17:00 to 18:00
91	Vistal	3	2	4	5	3	5	Several observations of personnel within fabrication and quay area without PPE, not acceptable for Contractor
104	Vistal	3	3	4	4	2	4	Regarding many discussions between KST and VISTAL I would like to point out that KST have to focus on clarifying all outstanding issues in documentation - HOLDS and TC's.
89	Vistal	4	4	3	3	2	3	Plan missing; Subcontractor to make plan for where they will fabricate various elements
65	MPG	2	5	2	4	4	5	A lot of additional work added and Subcontractor is expected to keep Contract delivery date for all deliveries

Figure 6: The three categories of connections

Finding the correlation between the result from buyer and seller is helpful because it can reveal a relationship between the results. A positive correlation indicates the extent to which the results increases or decreases in parallel. A negative correlation indicates the extent to which a result increases as the other decreases. The correlation for each dyad is calculated for each of the categories and displayed in figure 7 below.

Cause	Dyad	
	Dyad 1	Dyad 2
Deliverables connection	0,891133	0
Resource connection	-0,24942	-0,12681
Relational connection	0,349818	0,268806

Figure 7: The correlation of connections in the dyad

The results for dyad 1, CRIST and KST, are showing a positive correlation for the Deliverables and Relational connections, meaning the parties have scored the cause of the

incidents quite similar with regards to lack of informal or formal governance mechanism. For the Recourse connection the parties in the dyad are not in agreement as the correlation coefficient is negative, indicating that the parties have rated the cause of incident on opposite sides of the formal/ informal midpoint.

The result for dyad 2, MPG and KST, is distinguished by much weaker correlation than in dyad 1. In the Deliverables connection the correlation coefficient $r=0$, indicating that there is no association of correlation. Meaning there is no linear relationship between the participants rating of the incidents, some incidents have the same rating and some vary. The Resource connection has a negative correlation, indicating the parties have rated the cause of incident on opposite sides of the formal/ informal midpoint. The correlation coefficient is a “low” negative indicating that the deviation in the ratings is not a steady opposite. In some of the incidents the parties agree to the cause and in some instances they only deviate with one point. The result for the Relational connection is a positive correlation, meaning the parties have scored the cause of the incidents quite similar with regards to lack of informal or formal governance mechanism.

In order to emphasize the result in a buyer- seller perspective the results are also displayed in a grid with the seller side combined as one. The results from the seller’s side have been added together and divided in two to create one unit. The average result for the cause of the incidents from seller’s side and buyer’s side are figuratively display in a grid with the parameters of informal/ formal governance.

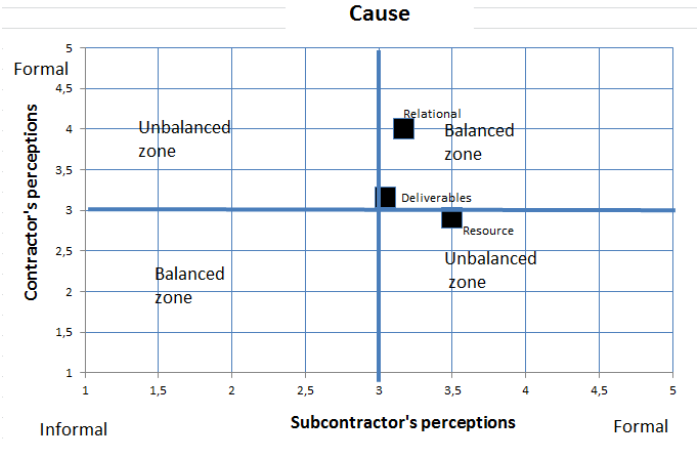


Figure 8: Buyer- Seller perspectives on cause of incident

Figure 8 show that the Relational and Deliverables connections are in the balanced formal-formal zone. Buyer and seller place the origin of conflict due to lack of formal governance for

these types of incidents. This result coheres with the correlation coefficient for both categories in both dyads. The Deliverables connection is weaker in formal governance than the Relational connection. The Resource connection is placed in the unbalanced zone formal-informal due to buyer and seller (Contractor and Subcontractor) not being in agreement on the origin of these types of conflicts.

Summing up there seems to be an agreement between buyer and sellers for the origin of conflicts related to issues of deliverable and relational incidents, this is supported by the correlation found in each dyad and the combined results displayed in figure 8. The overall results in figure 5 could be challenging to analyse as there are 29 different incidents, and as the hypothesis for this study is not to find the cause of conflict for 29 particular incidents but the cause for the origin for conflicts in the business relationship, the results in figure 5 will not be focused on further in this paper.

In the questionnaire the participants were asked to rate the importance of each finding in addition to the cause. They were asked to rate the importance according to their own perception of the incident. The reason for including this item in the questionnaire was to see if there was a pattern between the perception of importance and the cause of the incident.

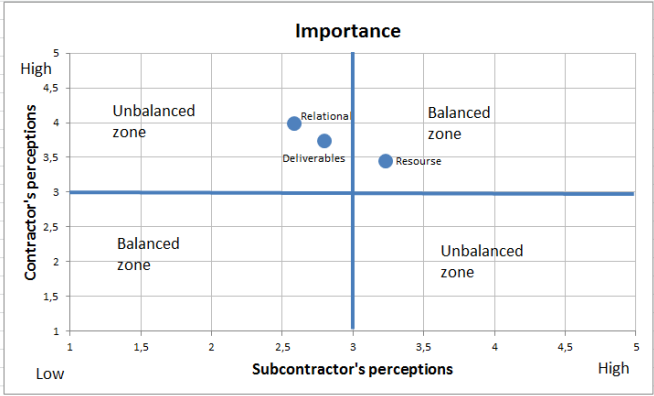


Figure 9: Perception of Importance High/ Low

This figure displays an interesting picture as the results are opposite placed in the balanced/unbalanced zones compared to the result in figure 8. The displayed agreement in the origin of conflicts for Relational and Deliverables connection is not incidents buyer and sellers agree upon the importance of. The sellers have in average rated these to be of low importance and buyer sees them as high in importance. Conflicts due to Relational incidents are by both parties regarded as high in importance.

Looking at the correlation within dyad 1 it indicates that there is a positive correlation for the Deliverables and Relational connections, meaning there is a linear relationship in the ratings given by the parties, but it does not say anything about where on the scale the ratings are. The Resource connection has a negative correlation indicating that there is a relationship between the ratings where one of the ratings increases as the other decreases, and vice versa. In the ratings given for Dyad 2 all the categories has a positive correlation coefficient were $\approx 0,5$ figure 10 below, meaning there is a linear relationship in the ratings.

Importance	Dyad 1	Dyad 2
Deliverables connection	0,547723	0,553912
Resource connection	-0,27262	0,539903
Relational connection	0,512195	0,557342

Figure 10: Correlation within the dyads for importance of the incidents

Summing up it appears to be mostly a positive correlation between the ratings given, however as displayed in figure 10 above there is a disagreement between buyer and sellers on the importance for most of the incidents. This result will be looked at further in the next chapter.

The results from cause of incident and the perceived importance of the incidents is opposite each other, it is therefore interesting to look at the two parameters together. Result for cause and importance is displayed below.

In the figure below the results from all three parties have been combined, not sorting the incidents in categories, for cause and importance, this was done by adding the ratings for each incidents and then dividing the sum with three, all numbers were then plotted in a graph. The result is displayed in figure 11 below. The figure displays a result of the higher the perceived importance the higher the tendency towards lack of formal governances, this result will be further looked at in the next chapter.

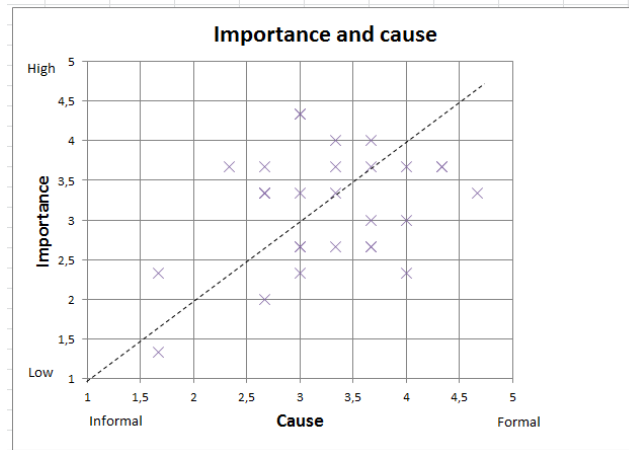


Figure 11: Results from perceived importance and cause combined

Splitting up the results in the different connections for each of the participants, will that affect the link between importance and cause? The correlation between the perceived importance and cause of the conflict for each of the participants is displayed in figure 12 below.

	KST	MPG	CRIST
Deliverables connection	0,75	0	-0,10847
Resource connection	0,23014	0,691442	0,443203
Relational connection	0,528243	0,220589	0,459055

Figure 12: Correlation between perceived importance and governance mechanism

The correlation coefficient on the buyer’s side is positive indicating that there is a link in the higher perceived importance the higher tendency towards lack of formal governance. On the sellers sides the result is a bit more spilt with regards to conflicts due to deliverables. Seller MPG has no correlation in the rating for perceived importance and cause of the incident, meaning there is not a clear connection in a conflict being perceived as high or low in importance and if it is caused by lack of formal/ informal governances. Seller CRIST is of the opinion that the incidents are due to lack of formal governance but not perceived to be of importance, resulting in a negative correlation. These results will be further investigated in the discussion chapter.

Summing up, I have decided to take a further look at four results. These are the results of the correlation factor and the balanced- unbalanced zone for the cause of incidents. The result of perceived importance per categories in the zone grid and as a correlation, and finally the two results combined perceived importance and cause of incidents. It is important to take into account the fairly small selection of participants and that the dyads are picked from the same project, also that it has not been taken into account any experience from previous projects, when reading the chapter of discussion.

5. Discussion

In this chapter the results are discussed as a total and in separate issues, trying to answer the research question; where is the origin for cause of conflict arising from in a buyer- seller relationship, within a complex project.

The participant's perception of the incidents importance affects the results quite significantly, as they are valued equally to the cause of the incidents in calculating the result. The participant's opinion on the importance of the incident is valid information when looking into which area one should focus on for reducing/ eliminating the origin of conflicts. For example if the participants rate the formal incidents as not important the recommendation should then be to focus on the informal part of the relationship, and vice versa.

The main focus in this chapter is to analyse the results concerning the cause of the incidents being due to lack of formal/ informal governance mechanism.

In this study information from previous project, from the same dyads, where not investigated, although it could be interesting to learn if the same conflicts arises in every project the dyads functions in. Conflicts could have effect in the project in a later phase and even in succeeding projects. Use of experience of conflict from one dyad into other project dyads is dependent upon the extent of organisational learning (Vaaland & Håkansson, 2003).

One of the sellers informed the writer that they do not make written experience reports. Transfer of experience was depended on a person to person basis, meaning if new people were introduced to the dyad loss of experience from past projects could be a fact. The other seller informed of newly introducing the use of experience reports, applied for one earlier project.

As the dyads have function in several projects earlier Walker's finding, described by Vaaland and Håkansson (2003), *of mutual learning reducing conflicts because they are better "bargainers" as they would know the others' sides, priorities and accommodation levels* are quite relevant for the results in this study.

The participants in a complex project are to extent interdependent players, and this implies that both parties do have power. A situation that could occur is that the seller reduces the

project progress through manoeuvres beyond his contractual obligations, resulting in the buyer using his power to exclude the seller for future business. In this perspective, both parties have self- control of the decision areas. It is therefore a reason to believe that a more or less balance of power (and self- control) increases cooperativeness and reduces the conflict (Vaaland & Håkansson, 2003). If this is the case for the three dyads, is difficult to assess as this study does not comprise data needed to make such verification. However, it is not reported by any of the participant that the amount of conflicts is a problem or challenge and taking the dyads history into account on could assume that Vaaland & Håkansson's finding is valid.

Other factors affecting the result could also be the organisations size, structure and strategy. Large firms with large resources are more likely to dominate small firms. Also, interference from third parties also affects the relationship between the buyer and seller (Vaaland, 2002a). Examples of third parties are base organisations, buyer's buyer (the oil Company), seller's suppliers, buyer's engineering subcontractor etc. The possibilities of third party interference have not been taken into account in analysing the results of this study. But the large firm versus small firm challenge is valid for each valid.

5.1 Correlation within the Dyads

Looking at the results displayed in figure 10, there is a significant difference between the correlations coefficient for the two dyads. One would expect quite similar results in the two dyads as the scope is about the same, both sellers have the same buyer with the same representatives and the projects were executed simultaneously. Could the factors, as displayed in the conceptual model by Vaaland (2003) , ref. figure 1, contribute to such a difference in the correlation? The representatives from buyer's side are the same in both dyads and still it could be huge differences in the cooperation and atmosphere within the dyads. Also the environment surrounding each dyad could be different, factors like buyer's financial situation, order book, fabrication capacity, other ongoing projects and so on, give impact on the surrounding environment. All these factors and others could affect how the participants interpret the incidents (ibid), thereby contributing deviant results between the dyads.

The positive correlation in dyad 1 for the Deliverables and Relational connections indicates the extent to which the results increases or decreases in parallel. This implies that the participants have about the same perception of the origin for cause of conflict being due to

lack of formal/ informal governance mechanism. The correlation factor does not indicate what this perception is and therefore the results are further displayed in a zone grid in the next section.

Incidents of conflict due to resources (The Resource connection) has the participants in both dyads split, the correlation coefficient is negative in both dyads indicating that when one party rates the incident as due to lack of formal governance mechanism the other party rates the same incident as due to lack of informal governance mechanism. There could be several different reasons why there is a difference in opinion for the origin of conflicts due incidents involving resources, it is not perhaps the area that is the most clearest in a contract for such scope. A common phrase in FC contracts is that seller (Subcontractor) shall plan and perform mobilization activities to ensure that all milestones in the contract schedule is met. This item will be further discussed in the next section.

5.2 Balanced zone

The results displayed in the zone grid in figure 8 display two types of perceptions, informal-formal and formal – formal. The overall result shows a clear indication of the relationship in the dyads being coloured by the balanced zone of formal- formal, the perceived cause of the incidents is due to lack of formal governance mechanisms.

The relationship between the parties in the dyads is not a new one. The dyads used in this study have a past relationship where similar work was performed by the seller. This could have an effect on the results of the study since the participants in previous project could have found a way of functioning together and they at this point in time they are familiar with each other both culturally and methodically. Supported by Walker's finding, as described by Vaaland and Håkansson (2003), of mutual learning reducing conflicts because they are better "bargainers" as they would know the others' sides, priorities and accommodation levels. A well written contract shall ensure and facilitate accomplishment of collective goals, the legal and economic penalties for not fulfilling contractual requirements shall work as an incentive for such accomplishment (Li et al., 2010). However, as the results indicate the majority of conflicts arise due to the lack of formal governance mechanism between the parties, the contract.

Results displayed in figure 8 in chapter 4 show the Deliverables and Relational Connections in the formal balanced zone, indicating that lack of formal governance dominate the cause of

conflicts in the relationship. This is in line with Yu (Yu et al., 2006) findings, as they discovered in their research that the formal governance mechanism dominate the buyer-supplier relation. The connections are placed in the mid- section of the scale (3-4). The Deliverables Connection concerns mostly incidents regarding delivery of materials and drawings. Example is item no. 47 in figure 6; *late issue of temporary structure drawings and pad eyes for loadouts, resulting in planned activities being postponed*. Conflicts of this type should be manageable as they can be identified to specific deliverables as materials and drawings. The incidents could have occurred due to lack of attention and/ or handled as a trivial matter.

Also, effects of such conflicts are described in the contract how they shall be handled and what the parties are entitled to. Still, the situation of one of the parties in the dyad being a large company with a lot of resources, with both contract managers and lawyers, could contribute to an uneven situation and leaving the seller with the shortest straw, as the buyer would be better equipped to turn the situation to their benefit. This could result in empowerment of the opportunistic side in seller's behaviour, as they might feel mistrust and unfairly treated and according to Prince the outcome will be more less comfortable and unpleasant relationship (Prince et al., 2016).

The Relational Connection mostly regards commination between the parties in the dyad. An example is item no. 26 in figure 6; *Agreements made on actions in meetings, but lack of response (slow reactions, and too little)*. The incidents in this connection are a mix of items handled by the contract and items not directly found in the contract. Items like no.1, 41 and 65 are handled by the condition of contract in a standard fabrication contract. The scope handled in the dyads in this study is fabrication of steel modules including pinning and painting. As the scope is fairly easy-to-understand, being part of a big complex project (offshore topside), the contracts are actually quite extensive and not usually changed. Våland (2002b) describes problems, i.e. conflicts, that are associated with lack of formal governance as items that should be avoided. If one can't change the contract and the parties in the relationship are well known with each other, why are these types of conflicts occurring and how can it be avoided or should they be avoided?

Dwyer et al. (1987) found in their research a functional benefit of conflicts, which is more frequent and effective communication between the parties and the establishment of outlets for expressing complainants. Further benefits were a more balanced power distribution in the

relationship and standardization of modes of conflict resolution. This view could help explain why conflicts associated with lack of formal governance dominate the relationship despite the parties knowing each other and seemingly do not agree not contractual items as they would benefit on the effects of the conflicts.

Looking at the incidents separately and not defined to categorise, the finding is that on both buyer and seller's side over 40 percent of the incidents were classified as to be due to lack of formal governance mechanisms. The lack of formal governance mechanism indicates that the participants in the studied dyads sees reasons for conflict arising from issues related to the contract. This finding is in line with what Yu et al. (2006) found in their research, formal governance mechanism dominating the buyer- seller relationship.

Another angle to consider is that the parties in their experience reports focus on conflicts that are easy to identify as conflicts due to informal governance might be harder to explain. And thereby would the input to this study be coloured by decisions taken when the reports were made. Also, as one of the parties did not have an experience report the incidents of potential conflict was gathered from formal correspondence, a forum normally used for handling contractual issues.

An important note is that the results do have a potential 25% error margin as a seller in one of the dyads did not contribute to answering the questioner.

5.3 Unbalanced zone

Figure 8 in chapter 4 displays the Recourse connection in the unbalanced zone formal-informal. Buyer rates the incidents in average to be due to lack of informal governance mechanism and the seller rates the incidents to be due to lack of formal governance, indicating that buyer and seller is on different sides of the formal/ informal midpoint.

Some of the incidents in this category are details normally not found clearly described in a fabrication contract (FC). An example is item 31 in figure 6; *Lack of manpower resulting in difficulties to peak manpower when required*. Contract requirements normally do not specify how a seller shall organize his manpower. A common phrase in FC contracts is that seller (Subcontractor) shall plan and perform mobilization activities to ensure that all milestones in the contract schedule is met.

Another example is item 33; *Predictability of deliveries from Subcontractor's prefabrication to low*. Contract details and formal procedures in the contract typically do not describe requirements for how seller (subcontractor) shall organize his fabrication sequence. Research describes that lack of contract details and/ or unclear formal procedures could give grounds for conflicts arising (Vaaland, 2002b). The question then becomes if such details should be part of the contract and thereby minimizing the parties need for informal interaction, but and give a more complex contract. As described by Li et al. (2010) contracts are necessarily incomplete as they cannot specify all types of useful and needed information required to secure the business relationship. Trust acts as a catalyser for the parties to go beyond contractual stipulations and feel obligated to provide accurate, timely and valuable information. The informal governance can according to Cao and Lumineau (2015) complement the formal governance by creating a new contractual mindset. But the threat of opportunism still remains, because the contracts are not significantly related to handle opportunism. Performance is also a factor that maybe should be considered. Cao and Lumineau (2015) introduce in their study a categorisation that could clarify how formal governance, informal governance and performance are related to each other. This is a direction that could be interesting for further studies.

The perception of lack of formal/ informal governance mechanism seems not aligned between buyer and seller as displayed in figure 8 in chapter 4. This could be a result of the writer might not have explained the concept of lack of formal and informal governance sufficiently and thereby creating a source for error. Or, buyer and seller simply disagree to the reason of conflict occurring. The results on the buyer's side with an average rating of 2, 9 are relatively close to tipping the scale and entering the balanced side and all incidents would be displayed as due to lack of formal governance mechanism. If the buyer had changed one of their ratings with 1 point the total result would end up in the balanced formal zone. This result could contribute to dysfunctional conflicts that could be a threat to the business relationship (Vaaland & Håkansson, 2003).

The number of participants in the study set a restriction on generalisation of the finding. If an equivalent study had been performed with a larger number of participants the outcome might be different. It is therefore important to take into account the setting of the study and the number of participants.

5.4 Importance

The participants from the dyads were asked to rate the importance according to their own perception of the incident. The reason for including this item in the questionnaire was to see if there was a pattern between the perception of importance and the cause of the incident. The participants were not given more information regarding the incidents than the lines written in the questionnaire and this could present a weakness in the results.

If the participant has not experienced the incident themselves it could be difficult to perceive the extent and impact of the incident could have. Some incidents could be perceived as not important when occurring once, however, upon frequent recurrence the impact would be greater and hence the importance would be greater.

Also the participant's background and experience play a role when rating the importance. Experience from similar past projects indicates that culture would also play a role; the seller's being Polish and the buyer Norwegian.

The results of cause and importance give an interesting picture, as the results are opposite of each other with regards to balance, reference is made to figure 8 and figure 9 in chapter 4. There seems to be an agreement on the importance of the relation connection but a disagreement for the cause being due to formal or informal governance mechanism.

According to Vaaland's (2002b) findings, the most important incidents have financial consequences. And therefore lead to a formal pattern as it is easier to claim payment within a formalized governance structure. This finding is supported by the result of this study and experience shared with the writer from both buyer and seller.

5.5 Importance and governance mechanism

The result from comparing the relationship between perceived importance and governance mechanism reveals a positive correlation ($r \geq 0$) for the total result. The higher the perceived importance the higher the tendency towards formal governance, revealing a correlation coefficient of $r = 0,808$ for the total study. Results displayed in figure 11, the zone grid of importance and cause, display the finding. In this grid all ratings from all dyads have been combined, focusing on the relationship between importance and cause. And the zone grid

shows a clear indication of the more lack of formal governance mechanism the higher the perceived importance.

Looking into the results per company, reveals a difference in perception between both the buyer and seller and also among the sellers. On the buyer's side (Contractor) the overall calculated correlation between importance and formal governance is positive ($r \geq 0$) with a correlation coefficient of $r = 0,478$. The result for seller MPG is correlation coefficient of $r = 0,414$ and for seller CRIST a correlation coefficient of $r = 0,216$. This reveals that the buyer has a stronger perception of importance for conflicts associated with lack of formal governance than both the sellers. However, there is a significant difference in the results on the seller's side. The overall result indicates that CRIST ($r = 0,216$) has a lower perception of importance for conflicts due to lack of formal governance.

The correlation coefficient's support the results displayed in figure 12 in chapter 4, correlation per connection. Here it is clear that particularly the deliverables connection creates the largest deviation in the seller's perception of cause and importance, incidents of conflict caused by lack of formal governance mechanism is not necessarily perceived as important. The type of compensation mechanism between buyer and seller could have an effect on the seller's perception of importance for these types of incidents. These contracts are reimbursed by measurement, meaning the seller's get paid per weight of installed materials. And if the majority of incidents in this category don't impact the measurement, it could offer an explanation of why they are not perceived of significant importance. On the buyers side it is a tendency for the more lack of formal governance mechanism the higher the perceived importance, the resource connection that has the largest gap between cause and importance. A reason for this could be that these incidents do not concern the economy for the buyer, but several of the incidents are related to HSE and that could affect the rating of importance. The HSE aspect could also be a contribution for the sellers ratings, as their results for the category show a tendency towards more lack of formal governance mechanism the higher the perceived importance.

Taking into account the limitations described in earlier sections, the buyer perception due indicate that important incidents have a tendency towards lack of formal governance. This is in line with information given by the participants and information found in the experience reports. Buyer (Contractor) could connect the conflicts as causes to potential delays in

progress that could result in delayed delivery. This would have an effect on the total project outcome both on the commercial side and the reputation, due to delayed delivery.

On the seller side the result is more ambiguous as the result show a disagreement between MPG and CRIST in the perception of importance of the governance mechanism, especially for the deliverables connection. However the result for both the resource and relational connection show an agreement on buyer's side of important incidents having a tendency towards lack of formal governance.

Summarizing the findings, they indicate, on both buyer and seller's side, a relationship between the importance of a conflict and the origin for cause of conflict. The results show that the higher the perceived importance the higher the tendency towards lack of formal governances. This result is not in line with Vaaland's (2002b) findings, where threats of lack of informal governance were identified as a major reason for conflicts in a business relationship. There are several reasons for why the result of my study has the opposite result of Vaaland. Firstly, there is a 15 year difference in when the studies were performed, and there have been several significant changes in the whole industry trough out these years. One of the changes that could have had direct impact on my study is the focus and handling of the contractual side of the business relationship. It is a stricter regime in both setting and handling the projects with regards to the requirements implemented in the contracts, compliance requirements and fear of corruption have been significant contributes. Other factors are selection and coincidences. The selection in this study is fairly small compared to the selection in Vaaland's study, and that has a clear significance. If my study were to be performed with a larger selection the outcome could be different, however the tight connection between the dyads would not be upheld as there are few projects, in the oil industry, with even more dyads having the same basis. I would therefor argue for the validity of my study with regards to the involved parties being able to learn for this result and implement corrective actions.

5.6 Managerial Implications

The major finding in this study is that the origin for cause of conflict lies in lack of formal governance mechanism. This is information that both buyer and seller can utilize in new upcoming projects, because it can contribute to prevent and possibly eliminate potential costly conflicts, resulting in saving both time and money for all parties in the relationship and

increasing the ability to compete for new projects. The result indicates that both buyer and seller could benefit from a contract review prior to signing the contract, this in order to be more aligned prior to applying the contractual requirements.

For Kvaerner's part the results could be used for verifying if there is need for strengthening the site team that handles the contract towards the Polish Subcontractor's, but also to considered utilizing experience reports from previous project. Creating contingency in the team handling these types of contracts would also be beneficially, as this would strengthen the relationship with the seller and create a balanced atmosphere, consequently altering how incidents of conflicts are interpreted by the seller (Vaaland & Håkansson, 2003).

The results from this study should be beneficial in terms of utilizing experience into new project for the Polish Subcontractors. The results are valid information as it gives the sellers insight in how the buyers perceive the different incidents, this could be both educational and an opportunity to decrease the amount of negative incidents potential leading to conflicts. Putting effort and focus on improving the identified weakness could contribute to fewer conflicts and a healthier relationship securing cooperation for future projects.

An important discovery is the gap between MPG and KST in their apprehension of importance for the incidents of conflict, this is information I would recommend being utilized by the parties.

5.7 Limitations

Kvaerner has in previous similar projects outsourced the same type of work to the three Polish companies. As this has become a standard project execution model for fabrication of topsides in Norway, I would argue that choosing this particular project is not putting any limitations on relevance for the case study. However, as I am employed by Kvaerner (as informed to all participants) in the Contract department, this could have a negative effect on the level of honesty and trust in the process of delivering data and in the interviews. But it could also be perceived positive as this could give the participants the opportunity to affect how Kvaerner handles the upcoming projects. A mitigating action was to make sure that data selected for the interviews represented equal amount of incidents from all dyads.

The three polish companies where contacted via letters by the writer, informing of the study and asking for their participation, response was received from two of the companies. The

analyses should have been based on input from four parties, but one seller didn't respond and this could have affected the outcome, giving a 25% error margin in the analysis. Reasons for the seller not responding could be several, it could be that they didn't see it as beneficial to participate or they simply did not have time to spare. Also, the relationship from the previous project might not have been a good experience for the seller, ergo not something they would like to go back to. Another reason could be changes in staff as participants in the Edvard Grieg project might have been replaced.

Language does present a challenge/ limitation in this case study, as three of the parties in the study nationality is Polish and their English language is somewhat limited and the fourth party being Norwegian, also not having English as their native language. The situation left room for misunderstandings and miscommunication. A measure taken to prevent as much misunderstanding as possible was that the writer travelled to the three Polish Subcontractor's and sat together with them for the rating of the incidents.

Case studies do have challenges when it comes to generalisation as the only certainty comes from the informants and the case one has studied. However an advantage of supplementing the existing qualitative research is that one can go in depth to seek greater understanding about causal explanations from other studies. That is why case studies like this one also are interesting in a research perspective because it can point the direction for larger studies, and/ or provide greater insights.

6. Conclusion

The setting for this study was the Edvard Grieg project, an EPC contract awarded to Kvaerner AS by Lundin Norway AS. The fabrication of steel sections for this project were outsourced by Kvaerner AS to three Polish subcontractors. The empirical research undertaken for this paper was done by using data from the three dyads (Kvaerner and the Polish Subcontractors). The setting for the three dyads is characterized by limited duration and cost constraint, the overall projects progress is dependent on timely deliveries from the Polish Subcontractors. And an inevitable part of such settings, are negative incidents that can lead to conflicts. The research question was therefore; where is the origin for cause of conflict arising from in a buyer- seller relationship.

Answering this study's research question is not a clear cut case, the results show the relationship in the dyads are fairly dominated by lack of formal governance mechanism. A result that complies with some of the existing literature, however it is not with the finding of Vaaland (2002) whom this paper's method and execution is inspired by. Incidents of conflicts due to lack of informal governance mechanism is minor in the results of this study, a possible reason could be the history the dyads have and the duration of time the dyads have worked with one another, as they had all worked together in several previous projects.

The participants were also asked to rate their perception of the importance of the incidents, as this could affect their perception of the incident being due to lack of formal/ informal governance mechanism.

The results revealed that the higher the perceived importance the higher the tendency towards lack of formal governances and conclusion of this study is that lack of formal governance causes the majority of conflicts in the buyer- seller relationship. It would be beneficial for both buyer and seller to put focus on and strengthen the formal connection of the relationship, as this could possibly prevent and eliminate potential costly conflicts, resulting in saving both time and costs and increasing the ability to compete. This could also result in a better quality of the relationship within the dyads and affect the decision of prospective business between the parties.

It was not perceived by the writer or expressed by the dyads that the amount of conflicts is perceived as a problem in the relationships, a reason for this could be that the parties history able them to utilize mutual learning reducing conflict because they know each other's sides, priorities and accommodation levels described by Vaaland and Håkansson (2003).

For further research I would support Cao & Lumineau's (2015) recommendation of instead of studying formal and informal governance as two constructs, to study how the nature of each facet of governance mechanisms enable firms to interpret and process information differently. As the different contractual dimensions may specially influence the way information is interpreted and how the buyers and sellers make sense of its importance (ibid).

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Attachment 1 Letter to MPG

Mostostal Pomorze S.A
ul. Marynarki Polskiej 59
80-557 Gdansk

Att:

Experience report from Edvard Grieg Project

Dear Sirs,

My name is Hege Skram, I'm employed at Kvaerner AS in the Contract Department, and currently I'm working on my Master Degree in business, MBA.

In finalising my degree I'm writing a master thesis, the focus is to understand where unforeseen incidents occur in the business relationship between buyer and seller seen from a contractual standpoint.

In that respect, I would like to ask you if I could get a copy of your experience report from the Edvard Grieg project?

This would be tremendously helpful in giving my master thesis a realistic perspective and also creating a better understanding for the subject.

All information found and used from the experience report will be depersonalized. Information will also be collected from Kvaerner's experience report.

If you have any questions please do not hesitate to contact me.

Thank you in advance.

Best regards

Hege Skram
Mob: +47 922 849 34
hege.skram@kvaerner.com

Attachment 2 Letter to CRIST

CRIST Offshore Sp
ul. Czechoslowacka
81-336 Gdynia

Experience report from Edvard Grieg Project

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Thank you in advance.

Best regards

Hege Skram
Mob: +47 922 849 34
hege.skram@kvaerner.com

Attachment 3 Letter to VISTAL

VISTAL Gdynia S.A
ul. Hutnicza 40
81-061 Gdynia

Experience report from Edvard Grieg Project

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