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Norms and Interfirm Governance in Client-Architectural Firm Relationships

This theoretical article seeks to establish connections between governance structures, norms, and relationship types in architectural firm-client relationships. An analytical framework of possible governance structures, possible relationship types, and norms is built on the basis of IMP Group and institutional theory. The framework includes a new relationship classification framework (Figure 5), which is the result of a synthesis of the previous relationship classification work of Andersen (1999), Campbell (1985), and Dwyer, Schurr, and Oh (1987). On the basis of the analytical framework, Danish architectural firms' activities on the German market are scrutinized.

Due to the complex, intangible, and knowledge intensive nature of architectural services as professional services (see Løwendahl, 2000), both individual architectural project orders and relationships to clients are achieved by making credible promises (see *ibid.*). Furthermore architectural services are also influenced by the complexities of the realm of aesthetic criteria. These factors taken together mean that understanding the existing norms and norm dynamics in the countries where the services are delivered is paramount to both achieving orders from potential customers and maintaining relationships. This finding is also hypothesized to be applicable in other professional service contexts, e.g. concerning engineering or management consulting services, yet further hypothesis testing is needed to verify this.

Building upon the above argumentation, the article also suggests the following for professional services firms that judge that they need to learn more about the norms of a foreign market in the market itself: These firms should choose to enter the given foreign market at points of time when the market is booming, growing rapidly, and/or marked by undercapacity problems. This is because customers will be more tolerant of deviation from the norms in these market situations.

Moreover, the results of the research suggest that norms concerning e.g. fee pressure vary among the different positions in a given national market and that certain firms are able to move to more favorable normative market positions over time on the basis of previous projects. This seems to indicate that the previous projects of a firm influence its position on a given market, which in turn influences the norms governing its current and future project negotiations.

Finally, building upon the new classification model of possible relationship types (see Figure 5), the results indicate that discontinuity of demand leads customers to prefer spot markets to relationships. This in turn leads to the generation of norms that are more supportive of the market as the governance structure than of networks of close relationships. The general applicability of this finding must, however, also be subjected to further testing.