



TUULA MITTILÄ

Relation Trine

An Analysis of Industrial Supplier-Customer Relations

University of Tampere
Tampere 2000

Relation Trine

ACADEMIC DISSERTATION

University of Tampere, School of Business Administration
Finland

Distribution



University of Tampere
Sales Office
P.O. Box 617
33101 Tampere
Finland

Tel. +358 3 215 6055
Fax +358 3 215 7150
taju@uta.fi
<http://granum.uta.fi>

Cover design by
Juha Siro

Printed dissertation
Acta Universitatis Tamperensis 768
ISBN 951-44-4923-1
ISSN 1455-1616

Electronic dissertation
Acta Electronica Universitatis Tamperensis 60
ISBN 951-44-4924-X
ISSN 1456-954X
<http://acta.uta.fi>

Tampereen yliopistopaino Oy Juvenes Print
Tampere 2000



TUULA MITTILÄ

Relation Trine

An Analysis of Industrial Supplier-Customer Relations



ACADEMIC DISSERTATION

To be presented, with the permission of
the Faculty of Economics and Administration
of the University of Tampere, for public discussion
in Paavo Koli Auditorium of the University of Tampere,
Kehruukoulunkatu 1, on October 20th, 2000, at 12 o'clock.

*University of Tampere
Tampere 2000*

ACKNOWLEDGEMENTS

Over the last seven years I have been tramping a research path, hoping to reach a milestone from which to look back and realise that I had made it. Now I am there.

Several people have affected me on the way. Professor Uolevi Lehtinen, my supervisor, has offered me intellectual challenge as well as numerous opportunities to enhance my competence as a researcher, teacher and an organiser in the academic world. Dr. Raija Järvinen and Ph.D. Anne-Mari Järvelin have been irreplaceable friends and peers. Their sharing in and caring for a researcher's joys and sorrows has warmed my mind and heart. Professor Seppo Pitkänen's sound criticism challenged my thinking in the 'wild west' of qualitative research in the early stages of my path.

Along the way I received valuable advice from people I met in international research conferences and KATAJA's events. Among those people are professors Kristian Möller, Helena Mäkinen and Henrikki Tikkanen, who evaluated my papers in national tutorials, and Christian Grönroos from the Finnish Center for Service and Relationship Management. An empirical contribution was given by the people in Instrumentointi Oy and its customer companies who dedicated their time to discussions and interviews that produced new insights into business relations.

As my research path reached the stage of a thesis manuscript it was guided, not only by Raija, Seppo and Uolevi, but also by professor Hannu Kuusela and my official examiners, professors Evert Gummesson and Kimmo Alajoutsijärvi. Their comments and recommendations greatly improved the report. Furthermore, Josephine Abdallah checked and improved my language and made useful comments.

The material support for the journey was offered by the graduate school of the Finnish Center for Service and Relationship Management, Tampereen yliopisto, Tampereen kauppaseura, Tampereen liikesivistysäätiö, Tampereen kauppakamari and Tampereen kaupungin tiederahasto. This support has enabled the survival of body and soul in these years.

Writing a thesis is an effort that requires understanding from the nearest ones. My sons, Karri and Jyri, have been excellent motivators and a source of joy in this process. I have also felt the warmth and support of my family and friends over this period.

Let me express my deepest gratitude to all who helped me to reach my goal. The souvenir from the journey, this book, I want to dedicate to my father's memory.

And the path goes on...

Tampere, September 2000

Tuula Mittilä

TABLE OF CONTENTS

1 INTRODUCTION	12
1.1 WHAT AROUSED THE INTEREST?.....	12
1.2 PURPOSE OF THE STUDY	16
1.3 STRUCTURE OF THE REPORT	16
2 RESEARCH DESIGN AND METHODOLOGY	19
2.1 ASSUMPTIONS ABOUT THE NATURE OF SCIENTIFIC KNOWLEDGE	19
2.2 LOGIC OF THE CASE STUDY RESEARCH.....	19
2.3 RESEARCH DESIGN.....	21
2.3.1 Case Study Approach.....	21
2.3.2 Selecting the Case.....	22
2.4 METHODOLOGY	25
2.4.1 Data Collecting	25
2.4.2 Data Processing	28
2.4.3 Assessing the Methodology	32
3 ACTORS, RESOURCES, AND ACTIVITIES IN RELATIONSHIPS	34
3.1 ARA MODEL (ACTORS, RESOURCES, ACTIVITIES)	34
3.2 ACTORS IN THE FOCAL RELATIONSHIPS	35
3.3 RESOURCES IN THE FOCAL RELATIONSHIPS.....	40
3.4 ACTIVITIES IN THE FOCAL RELATIONSHIPS	49
3.5 CONCLUSIONS	52
4 ATTRACTION, TRUST AND COMMITMENT IN RELATIONSHIPS.....	55
4.1 ATC MODEL (ATTRACTION, TRUST, COMMITMENT)	55
4.2 ATTRACTION IN THE FOCAL RELATIONSHIPS	59
4.3 TRUST IN THE FOCAL RELATIONSHIPS	60
4.4 COMMITMENT IN THE FOCAL RELATIONSHIPS.....	67
4.5 RELATIONSHIP AMONG ATTRACTION, TRUST, COMMITMENT AND DEPENDENCE	68
4.6 CONCLUSIONS	71
5 REGULATIONS/INSTITUTIONS, COLLABORATION AND COMPETI- TION IN RELATIONSHIPS	73
5.1 MARKETING EQUILIBRIUM MODEL.....	73
5.2 REGULATIONS AND INSTITUTIONS IN THE FOCAL RELATIONSHIPS	77
5.3 COLLABORATION IN THE FOCAL RELATIONSHIPS.....	79
5.4 COMPETITION IN THE FOCAL RELATIONSHIPS	81
5.5 CONCLUSIONS	82
6 CONTEXTUALITY, EVALUATION, AND BARGAINING IN RELATION- SHIPS.....	84
6.1 SYNTHESIS	84

6.2 RELATION TRINE MODEL	87
6.3 CONTEXT	88
6.3.1 Contextuality	88
6.3.2 Contexts of the Focal Relationships	93
6.4 EVALUATION	101
6.4.1 Concept of Evaluation	101
6.4.2 Analysing Evaluation	103
6.4.3 Evaluation in the Focal Relationships	105
6.4.3.1 Evaluation Perspective in the Focal Relationships	106
6.4.3.2 Objects of Evaluation in the Focal Relationships	106
6.4.3.3 Evaluation Synchrony in the Focal Relationships	108
6.5 BARGAINING	118
6.5.1 Concepts of Bargaining and Negotiation	118
6.5.2 Analysing Bargaining	121
6.5.3 Bargaining in the Focal Relationships	125
6.5.4 Commercial Bargaining Process	128
6.6. DYNAMICS OF CONTEXT, EVALUATION, AND BARGAINING	131
6.7 CONCLUSIONS	133
7 A DISCOURSE ON RELATIONSHIPS: TERMS AND	
THE PHENOMENA	137
7.1 INTRODUCTION	137
7.2 INTERACTION AND EXCHANGE	138
7.3 NETWORKS	142
7.4 RELATIONSHIPS	144
7.4.1 Social Relationship	144
7.4.2 Marketing Relationship	146
7.4.3 Exchange Relationship	148
7.4.4 Market Relationships	149
7.4.5 Business Relations	150
7.4.6 Development of the Focal Business Relations	155
7.5 CONCLUSIONS	156
8. CONTRIBUTIONS	159
8.1 THEORETICAL CONTRIBUTIONS	159
8.2 METHODOLOGICAL CONTRIBUTIONS	162
8.3 MANAGERIAL IMPLICATIONS	163
8.4 CRITERIA FOR QUALITY ASSESSMENT OF THE STUDY	163
8.5 HOW TO PROCEED	166
APPENDIX 1: CASE DESCRIPTION	167
1 INSTRUMENTOINTI OY	170

2 RELATIONS OF INSTRUMENTOINTI OY	174
2.1 INTRODUCTION.....	174
2.2 CUSTOMER RELATIONS.....	175
2.3 OTHER STAKEHOLDER RELATIONS.....	178
3 CASE DIVISIONS	181
3.1 AVIONICS DIVISION.....	181
3.2 INSTALLATION DIVISION.....	184
3.3 SERVICE (PETROL) STATION SYSTEMS DIVISION	186
3.4 SPECIAL SYSTEMS DIVISION	189
4 CUSTOMER RELATIONS OF THE CASE DIVISIONS	191
4.1 CUSTOMER RELATIONS OF THE AVIONICS DIVISION	191
4.2 CUSTOMER RELATIONS OF THE INSTALLATION DIVISION	192
4.3 CUSTOMER RELATIONS OF THE SERVICE (PETROL) STATION SYSTEMS DIVISION.....	193
4.4 CUSTOMER RELATIONS OF THE SPECIAL SYSTEMS DIVISION.....	197
5 CASE CUSTOMERS	198
5.1 CUSTOMERS OF THE AVIONICS DIVISION.....	198
5.2 CUSTOMERS OF THE INSTALLATION DIVISION.....	199
5.3 CUSTOMERS OF THE SERVICE (PETROL) STATION SYSTEMS DIVISION	201
5.4 CUSTOMERS OF THE SPECIAL SYSTEMS DIVISION	202
6 CASE RELATIONS	204
6.1 RELATIONS BETWEEN AVIONICS DIVISION AND ITS CUSTOMERS: FINNAIR (A1), AIR PATROL SQUADRON (APS) (A2) AND NATIONAL BUREAU OF INVESTIGATION (NBI) (A3)	204
6.2 RELATIONS BETWEEN INSTALLATION DIVISION AND ITS CUSTOMERS: KYRO (B1), TAKO (B2) AND NESTE (B3).....	209
6.3 RELATIONS BETWEEN SERVICE (PETROL) STATION SYSTEMS DIVISION AND ITS CUSTOMERS: ESSO (C1), TEBOIL (C2) AND SEO (C3).....	218
6.4 RELATIONS BETWEEN SPECIAL SYSTEMS DIVISION AND ITS CUSTOMERS: POLICE SCHOOL (D1), MERITA (D2) AND OKO (D3).....	230
7 SUMMARY	235
APPENDIX 2: COMPARISON OF ALTERNATIVE VIEWS OF SCIENCE.	241
APPENDIX 3: INTERVIEW GUIDE FOR THE THEMES CONCERNED WITH MARKETING STRATEGY.	243
APPENDIX 4: INTERVIEW GUIDE FOR THE FOCAL RELATIONSHIPS.	253
APPENDIX 5: CASE INTERVIEWS	258

REFERENCES	261
INDEX	280

LIST OF FIGURES

FIGURE 1: STRUCTURE OF THE CASE STUDY REPORT.	18
FIGURE 2: DISTINCTION BETWEEN DEDUCTIVE, INDUCTIVE AND ABDUCTIVE LOGIC	20
FIGURE 3: INTERCOMMUNICATION BETWEEN THEORY AND PRACTICE IN THE FOCAL STUDY.	21
FIGURE 4: OVERVIEW OF THE CASE COMPANY: LINES OF BUSINESS, DIVISIONS, PRODUCTS, COLLABORATION PARTNERS , AND CUSTOMER INDUSTRIES	25
FIGURE 5: DATA ANALYSIS PROCESS OF THE STUDY.	30
FIGURE 6: CONNECTIONS AMONG ACTORS IN THE RELATIONSHIPS WITH ESSO (C1) AND TEBOIL (C2).	37
FIGURE 7: CONSTRUCT OF THE RELATIONSHIP WITH SEO (C3).	39
FIGURE 8: THE RELATIONS AMONG THE MODELS OF THE STUDY.....	86
FIGURE 9: RELATION TRINE.....	88
FIGURE 10: INNER AND OUTER CONTEXTS OF A SUPPLIER-CUSTOMER RELATIONSHIP.	90
FIGURE 11: CONTEXTUALITY OF INDUSTRIAL SUPPLIER-CUSTOMER RELATIONS.	92
FIGURE 12: EVALUATION SYNCHRONY OF TWO ACTORS.....	104
FIGURE 13: MULTIDIMENSIONAL EVALUATION MODEL.....	105
FIGURE 14: CONCEPTUAL MODEL OF DYADIC BUSINESS BARGAINING.	122
FIGURE 15: COMMERCIAL BARGAINING PROCESS.	128
FIGURE 16: DYNAMICS OF CONTEXT, EVALUATION, AND BARGAINING.....	131
FIGURE 17: COLLECTIVE EVALUATION PROCESS IN AN ORGANISATIONAL BUSINESS RELATIONSHIP.	132
FIGURE 18: MARKETING RELATIONSHIP AS AN INTERSECTION OF FOUR CRITERIA.	147
FIGURE 19: DISPERSION OF RELATIONS.	153
 APPENDIX 1	
FIGURE 1: STRUCTURE OF THE CASE STUDY DESCRIPTION.	170
FIGURE 2: OVERVIEW OF THE CASE COMPANY: LINES OF BUSINESS, DIVISIONS, PRODUCTS, COLLABORATION PARTNERS , AND CUSTOMER INDUSTRIES...	172
FIGURE 3: INTERACTION LEVELS OF A RELATIONSHIP BETWEEN AVIONICS DIVISION AND FINNISH AIR FORCES.	176
FIGURE 4: THE ORGANISATION OF THE AVIONICS DIVISION.	182
FIGURE 5: THE ORGANISATION OF THE SERVICE (PETROL) STATION SYSTEMS DIVISION.	187

FIGURE 6: RELATIONS BETWEEN THE INSTALLATION DIVISION AND METSÄ-SERLA POOL	210
FIGURE 7: THE INDIVIDUAL RELATIONS AMONG THE UNITS OF THE SUPPLIER AND NESTE GROUP	216

LIST OF TABLES

TABLE 1: INTERPRETATION OF DATA IN FORMAL CONCEPTS OF THE PRIMARY MODELS.	31
TABLE 2: ACTORS IN THE FOCAL RELATIONSHIPS.	38
TABLE 3: OCCUPATIONS OF THE FOCAL RESPONDENTS.	40
TABLE 4: RESOURCES IDENTIFIED IN THE FOCAL RELATIONSHIPS.	41
TABLE 5: ROLE OF FINANCIAL MARKETS IN THE FOCAL INDUSTRIES.	42
TABLE 6: PRICE ELASTICITY IN THE FOCAL DIVISIONS AND EVALUATIONS OF IT IN DIFFERENT RELATIONSHIPS.	43
TABLE 7: PERCEPTIONS OF THE QUALITY DIMENSIONS IN THE FOCAL RELATIONSHIPS.	44
TABLE 8: PERCEIVED IMPACTS OF THE PARTIES' OTHER RELATIONSHIPS ON THE FOCAL RELATIONSHIP.	44
TABLE 9: RESPONDENTS' PERCEPTIONS OF THE IMPACT OF THEIR OWN COMPANY'S OTHER RELATIONSHIPS ON THE FOCAL RELATIONSHIPS.	45
TABLE 10: PERCEIVED IMPACT OF SUPPLIERS, ENERGY AND RAW MATERIALS ON THE FOCAL RELATIONSHIP IN DIFFERENT INDUSTRIES.	46
TABLE 11: PERCEIVED IMPACT OF TECHNOLOGY ON THE FOCAL RELATIONSHIP IN DIFFERENT INDUSTRIES.	47
TABLE 12: PERCEIVED IMPACT OF HUMAN RESOURCES ON THE FOCAL RELATIONSHIP IN DIFFERENT INDUSTRIES.	48
TABLE 13: MARKETING ACTIVITIES IN THE FOCAL RELATIONSHIPS.	49
TABLE 14: OPERATIONAL ACTIVITIES IN THE FOCAL RELATIONSHIPS.	50
TABLE 15: ROLE OF SERVICE IN THE FOCAL RELATIONSHIPS.	51
TABLE 16: TIME SPAN OF PLANNING IN THE FOCAL RELATIONSHIPS.	52
TABLE 17: PERCEIVED ATTRACTION IN DIFFERENT INDUSTRIES.	60
TABLE 18: PERCEIVED ROLE OF TRUST IN THE FOCAL RELATIONSHIPS.	61
TABLE 19: PERCEIVED DEGREE OF COMMITMENT IN THE FOCAL RELATIONSHIPS.	68
TABLE 20: CROSS-TABULATED PERCEPTIONS OF ATTRACTION AND THE DEGREE OF DEPENDENCE.	70
TABLE 21: CROSS-TABULATED PERCEPTIONS OF THE ROLE OF TRUST IN THE RELATIONSHIP AND THE DEGREE OF DEPENDENCE.	70
TABLE 22: CROSS-TABULATED PERCEPTIONS OF THE DEGREE OF COMMITMENT AND THE DEGREE OF DEPENDENCE.	71
TABLE 23: FOUNDATIONS OF THE NEO-CLASSICAL AND COMPARATIVE ADVANTAGE THEORIES OF COMPETITION	74

TABLE 24: REGULATIONS, COLLABORATIVE AND COMPETITIVE ACTIVITIES IN THE FOCAL RELATIONSHIPS.	77
TABLE 25: PERCEIVED IMPACT OF LEGISLATION ON THE FOCAL RELATIONSHIPS IN DIFFERENT INDUSTRIES.	78
TABLE 26: PERCEPTIONS OF THE PARTY'S DEPENDENCE ON THE OTHER PARTY IN THE FOCAL INDUSTRIES.	80
TABLE 27: PERCEPTIONS OF THE IMPACT OF COMPETITORS' ACTIVITIES ON THE FOCAL RELATIONSHIP.	82
TABLE 28: CONTEXTS AND THEIR DIMENSIONS ACCORDING TO DIFFERENT AUTHORS.	91
TABLE 29: EVALUATION OF THE IMPACT OF THE FINANCIAL MARKETS, HUMAN RESOURCES, SUPPLIERS, RAW MATERIALS AND ENERGY, AND TECHNOLOGY ON THE FOCAL RELATIONSHIP, AND THE CONNECTION WITH THE PERCEIVED TIME SPAN OF PLANNING.	99
TABLE 30: THE RELATIONS BETWEEN THE PERCEIVED TIME PERSPECTIVE OF PLANNING AND THE PERCEPTIONS OF THE INFLUENCE OF COMPETITORS' ACTIVITIES, LEGISLATION, OWN COMPANY'S OTHER RELATIONSHIPS AND COUNTERPARTS' OTHER ACTIVITIES.	100
TABLE 31: OBJECTS OF EVALUATION IN THE FOCAL RELATIONSHIPS.	107
TABLE 32: EVALUATION SYNCHRONY AND OBJECTS OF PERCEPTION IN AVIONICS DIVISION'S AND INSTALLATION DIVISION'S FOCAL RELATIONSHIPS.	110
TABLE 33: EVALUATION SYNCHRONY AND OBJECTS OF PERCEPTION IN SERVICE (PETROL) STATION SYSTEMS DIVISION'S AND SPECIAL SYSTEMS DIVISION'S FOCAL RELATIONSHIPS.	111
TABLE 34: SYNCHRONY OF THE PERCEPTIONS OF EXTERNAL FACTORS' IMPACT ON AVIONICS DIVISION'S AND INSTALLATION DIVISION'S FOCAL RELATIONSHIPS.	115
TABLE 35: SYNCHRONY OF THE PERCEPTIONS OF EXTERNAL FACTORS' IMPACT ON SERVICE (PETROL) STATION SYSTEMS DIVISION'S AND SPECIAL SYSTEMS DIVISION'S FOCAL RELATIONSHIPS.	117
TABLE 36: DIMENSIONS OF EXCHANGE.	140
TABLE 37: ASPECTS OF ANY SOCIAL RELATIONSHIP.	145
TABLE 38: CHARACTERISTICS OF RELATIONS AND RELATIONSHIPS.	151

APPENDIX 1

TABLE 1: THE DIFFUSION OF THE CUSTOMER INDUSTRIES IN THE INSTALLATION DIVISION.	192
TABLE 2: CHANGES OF THE CUSTOMER INDUSTRIES IN THE INSTALLATION DIVISION.	193

1 INTRODUCTION

1.1 What Aroused the Interest?

Turbulent changes in the markets, especially those resulting from rapid technological development and globalisation, have compelled the practitioners of marketing to act on an increasingly short-term basis. On the other hand, globalisation has made firms look for competitive advantage and long-term survival in big business conglomerates and in collaboration. Mergers and acquisitions of firms create constant change in markets and within companies. Business networks are constantly changing. For a company to survive, the management of business relations, such as customer and other stakeholder relationships, has become crucial. Consequently, a deeper understanding of business relations¹ and their dynamics is needed, both in theory and in practice.

Lately, traditional main-stream research and education have been challenged by scholars whose insight concerning the scope of marketing is that of building long-term relationships with customers and other stakeholders of an organisation. Earlier, marketing relationships have been addressed by Bagozzi (1974, 1978) within the exchange paradigm.

In the 1980s, the research on services marketing became differentiated from the research on marketing of goods. As theoretical knowledge of both research areas increased, it was clearly understood that in every transaction between trading parties there are both tangible and intangible elements that together create value for the customer. In the 1990s, a paradigm shift began evolving in marketing science. As a result of this change of focus, the importance of the distinction between goods and services as a decisive criterion of the research approach decreased and attention was focused on the creation, maintenance, development and termination of exchange relationships.

Studying business-to-business relationships requires dealing with multiple research approaches that are partly independent and partly overlapping. Furthermore, the various approaches naturally provide only partial theories of business interaction and relationships. Approaches draw on different theoretical sources and employ different conceptual frames of reference, often focusing on issues at different aggregate levels and employing different units of analysis (see Möller 1993). According to Alderson (1957:8), “the marketing analyst and executive must be equally open to draw insights from applied psychology, sociology, and anthropology, since these sciences of human behaviour are demonstrating their ability to contribute to the solution of marketing problems”. Furthermore, Alderson (1957:14) regards political science as pertinent to the

¹ Business relations exist at collective and individual levels: between or among collectives, between collectives and individuals, or between and among individuals.

development of the theory of marketing because it is an essential aspect of the theory of organisation, which may be regarded as the core of general sociology.

Due to the distinctive research traditions of goods and services, we have today two different approaches to researching exchange relationships. In contemporary marketing theory, relationships are a concern of industrial marketing and relationship marketing. They will be discussed shortly.

The IMP Approach

On the basis of theories from several intellectual roots, as well as empirical studies of industrial marketing and purchasing practices in five European countries in the 1970s, the IMP (Industrial/International Marketing and Purchasing) Group introduced *The Interaction Approach* to industrial markets (Håkansson 1982). The focus of the approach is on a two-party relationship but the approach can also be applied to a multi-party relationship. The interaction model is based on research on buyers and sellers of industrial goods and it has four basic elements: the interaction process, the participants in the interaction process, the environment within which interaction takes place, and the atmosphere that affects and is affected by the interaction.

The model recognises two aspects of the interaction process: the episodes which involve exchange between two parties, and the long-term aspects of a relationship which affect and may be affected by each episode. The four elements which are exchanged include product or service exchange, information exchange, financial exchange, and social exchange. Social exchange is recognised to be critical in building long-term relationships. The exchange of products or services and the other elements of money and information can also lead to the building of long-term relationships.

Characteristic of a long relationship is an institutionalisation in which neither party questions the routines of the exchange episodes, the roles or responsibilities of the other party (Ford 1978). Their communication builds up inter-organisational contact patterns and role relationships that can interlock the two parties to a greater or lesser extent. Another aspect of a relationship, according to the IMP Group, is the adaptations a party might make, either in the elements exchanged or in the process of exchange.

Interacting factors in a buyer-seller relationship, according to the model, include technology, organisational size, structure, and strategy, as well as organisational experience and individuals. Individuals may have a substantial role in building up these relationships; their reactions in individual episodes could condition the ways in which the overall relationship develops. Furthermore, the role, level, and function of central people in the interaction may affect the chances of future development occurring in the collective relationship.

Variables such as market structure, dynamism, internationalisation, position in the manufacturing channel and social system were identified as forming the interaction environment in the Interaction Model. The effects of the social system

include regulations and constraints on business, for example exchange rates and trade regulations.

The interaction atmosphere includes the economic and control dimensions. As the relationship develops, the parties' views of their relative power may change. Conflict as well as collaboration may characterise relationships.

Research using the Interaction Approach has concentrated on the interaction process between the buyer and the seller at the company level. Further work by the IMP Group has produced another research approach, *The Network Approach*, which focuses on relationships in business markets. It is anchored in the recognition that industrial markets can be represented as exchange relationships between multiple organisations (Möller 1993). The approach draws its intellectual content mainly from the notion of inter-organisational resource dependence, the theory of social structure and exchange, and systems theory.

The Interaction Approach of the IMP Group addresses multiple dimensions of buyer-seller relationships and identifies the interaction processes between the relationship parties. Håkansson and Snehota (1995) state that the notion of 'relationship' may be difficult to grasp. They tentatively define it as mutually oriented interaction between two reciprocally committed parties. However, to gain a better understanding of the notion of 'relationship', there may need to be more research done on the context and content of interaction processes.

The Relationship Marketing Approach

Another approach, *Relationship Marketing*, originates from the *Services Marketing* research tradition as well as from business-to-business marketing research within which Jackson (1985a) introduced the distinction between transaction marketing and relationship marketing.

Services marketing research has recognised the role and importance of the customer both in consumer and in business markets (e.g. Gummeson 1979). As early as 1974, Blois proposed an approach based upon buyer behaviour theory. In 1978 Normann introduced the concept of 'the moment of truth'. According to Normann (1998: 16), "most services are the result of social acts which take place between the customer and representatives of the service company". In 1985 Solomon, Suprenant, Czepiel and Gutman proposed that the dyadic interaction between service provider and customer is an important determinant of the customer's overall satisfaction with a service. Within the field, Grönroos (1981) had a profound impact on the development of the concept of internal marketing, and Zeithaml (1981) on the unique consumer evaluation processes for services.

Customer encounter research in services marketing has focused on the management of customer and employee interactions in service encounters (e.g. Bitner 1990; Bitner, Booms and Tetreault 1990; Czepiel 1990; Lewis and Entwistle 1990; Mills 1990; Suprenant and Solomon 1987), on customer involvement in service encounters and the customer's role in service production and delivery (e.g. Goodwin 1990; Kelley et al. 1990; Larsson and Bowen 1989).

The third focus examines the role of tangibles and physical environment in the customer's evaluation of encounters (e.g. Berry and Parasuraman 1991; Bitner 1992; Hui and Bateson 1991).

In the services marketing approach, the term of relationship marketing was first introduced by Berry in 1983. The relationship marketing approach recognises the value of current customers and the need to provide continuing services to existing customers so that they remain loyal. Researchers in the field focus on constructs such as trust and relationship commitment, customer satisfaction, customer tolerance and loyalty (e.g. Crosby and Stephens 1987; Crosby, Evans and Cowles 1990; Halinen 1994, Strandvik 1994, Liljander 1995). Understanding and calculating both the long-term value of a customer and the lost revenue profits for defecting customers (e.g. Reichheld and Sasser 1990; Storbacka 1994; Reichheld 1996) have been the concerns of research in the relationship marketing area.

Both the Nordic School approach (e.g. Gummesson, Grönroos) and the Anglo-Australian approach (e.g. Christopher, Payne and Ballantyne) to relationship marketing have emphasised the role of internal marketing in creating, maintaining and enhancing customer relationships. The original idea of internal marketing suggests that marketing tools, like segmentation, and marketing research can be used internally with employees (Berry 1981). From the relationship marketing perspective, every employee has a supplier and a customer within the focal firm, and every employee who comes into contact with a person outside the company is a part-time marketer of the company (Gummesson 1991). Furthermore, in the Anglo-Australian approach five other markets which affect the focal firm - namely customer markets, supplier markets, reference markets, employee markets, and influencer markets - have been recognised (Christopher, Payne and Ballantyne 1991). The approach also combines marketing, customer service and total quality management. The extension of the marketing concept within this research approach has bridged the gap between the IMP approach and the relationship marketing approach.

The two research approaches to the phenomenon of relationships bring somewhat different foci of interests as well as different conceptualisations. This is not surprising and it is always obvious when something new develops; there is no ultimate solution to the issue, as we are dealing with complex and fuzzy social phenomena. However, terms from the IMP work are also used in relationship marketing concepts, and IMP and relationship marketing to some degree use the same language, primarily the terms relationship, network and interaction. The distinction between episodes and relationships is also made in both research traditions.

1.2 Purpose of the Study

The study at hand was inspired by my earlier work experience in industrial and commercial business-to-business contexts, and by my educational background in the university, focusing on services marketing. The extensive research on relationships over the last two decades provides good insight into industrial buyer-seller relationships and consumer relationships. It seemed, however, that a view of business-to-business relationships and their dynamics was not been fully captured within the above approaches.

To gain a better understanding of the notion of 'relationship', there perhaps needs to be more research on the context and content of interaction processes. The elaboration of interaction, both among the organisational factors in a supplier-customer relationship and among the exchange parties, is expected to enhance our understanding of the fuzzy phenomenon of business relations. Intra-organisational interaction and its role in inter-organisational interaction is a research area that needs to be studied in greater detail.

The content of a business relationship is traditionally described as economic exchange: one party provides goods and services and the other provides money. In the last two decades, research on human aspects in business has emerged and social relationships have been placed in the core of human behaviour – also in business. Therefore, this study focuses on organisational and human factors in business.

The purpose of this study is to empirically explore and analyse business-to-business relationships, where the products exchanged are goods or services or both, by utilising existing theoretical knowledge and, to specify the theories, mainly drawing on the IMP and the relationship marketing approaches.

Many researchers have suggested the dyad as a fundamental unit of analysis in marketing (e.g. Bagozzi 1975, 1978; Bonoma, Bagozzi and Zaltman 1978). Gummeson (1995) sees the exchange between a supplier and a customer – the classic dyad – as a basic unit of analysis. The present empirical study focuses on industrial supplier-customer relationships existing at the division level of a high-tech company. However, to better understand focal relationships and factors affecting them, company level marketing is included in the study. This study was conducted in a company with multiple lines of business.

1.3 Structure of the Report

The study applies a case study method. It is an embedded single case study with 12 sub-cases. Consequently, the report at hand is a variant of Yin's (1991) multiple-case report. Narrative information for the case is presented as a case study description in Appendix 1 while the actual report of the research is presented in a comparative structure as introduced by Yin (1991) in the following way:

A comparative structure repeats the same case study two or more times, comparing alternative descriptions or explanations of the same case. The purpose of the repetition is to show the degree to which the facts fit each model, and the repetitions actually illustrate a pattern-matching technique at work (*ibid.*, 138).

In the report, theory and empirical analyses are intertwined. After an introduction, research design and methodology are discussed in Chapter 2. In Chapters 3, 4 and 5 the primary conceptual models used in the analyses of empirical data are briefly introduced and the analyses and conclusions are presented. In Chapter 3, the data is analysed with the ARA model (actors, resources, activities) from the IMP approach. In Chapter 4, the analysis is conducted with the ATC model (attraction, trust commitment), based on work by Halinen (1994), and in Chapter 5 the data analysis is based on the Marketing Equilibrium model by Gummesson (1999). This model includes the concepts of regulations/institutions, collaboration and competition.

A synthesis of the three primary analyses is discussed in Chapter 6 where the end result, the *Relation² Trine³* model, with its concepts of *context*, *evaluation and bargaining*, is introduced. In this chapter, each concept of the model is further elaborated. Models of *contextuality*, *multidimensional evaluation* and *dyadic business bargaining* are introduced, empirical data is analysed using these models, and relationships among the concepts of the Relation Trine model are discussed. Also, a process of commercial bargaining is presented. Chapter 7 addresses relationships – terms and the phenomena. Interaction, exchange and networks are elaborated, and definitions of business relation and business relationship are introduced.

In this report, conclusions of the analyses are presented at the end of each chapter. In Chapter 8 the contributions of the research are discussed, the quality of the study is assessed, and suggestions for future research are given. The structure of the report is depicted in Figure 1.

² According to the Oxford Advanced Learner's Dictionary of Current English (1995: 985-6), relations are the official connections or friendships between countries, organisations etc. A relationship is a friendship and strong emotional connection between two people. It can also refer to the way people or things are connected and affect each other. In this study, the terms *relation* and *relationship* are used as synonyms (also in Appendix 1) until a conceptual distinction is made in Chapter 7.

³ The word originates from Latin *trinities* -*tatis* 'triad' (as TRINE). See 'trine' and 'trinity' in the Oxford Concise Dictionary of Current English (1995: 1492).

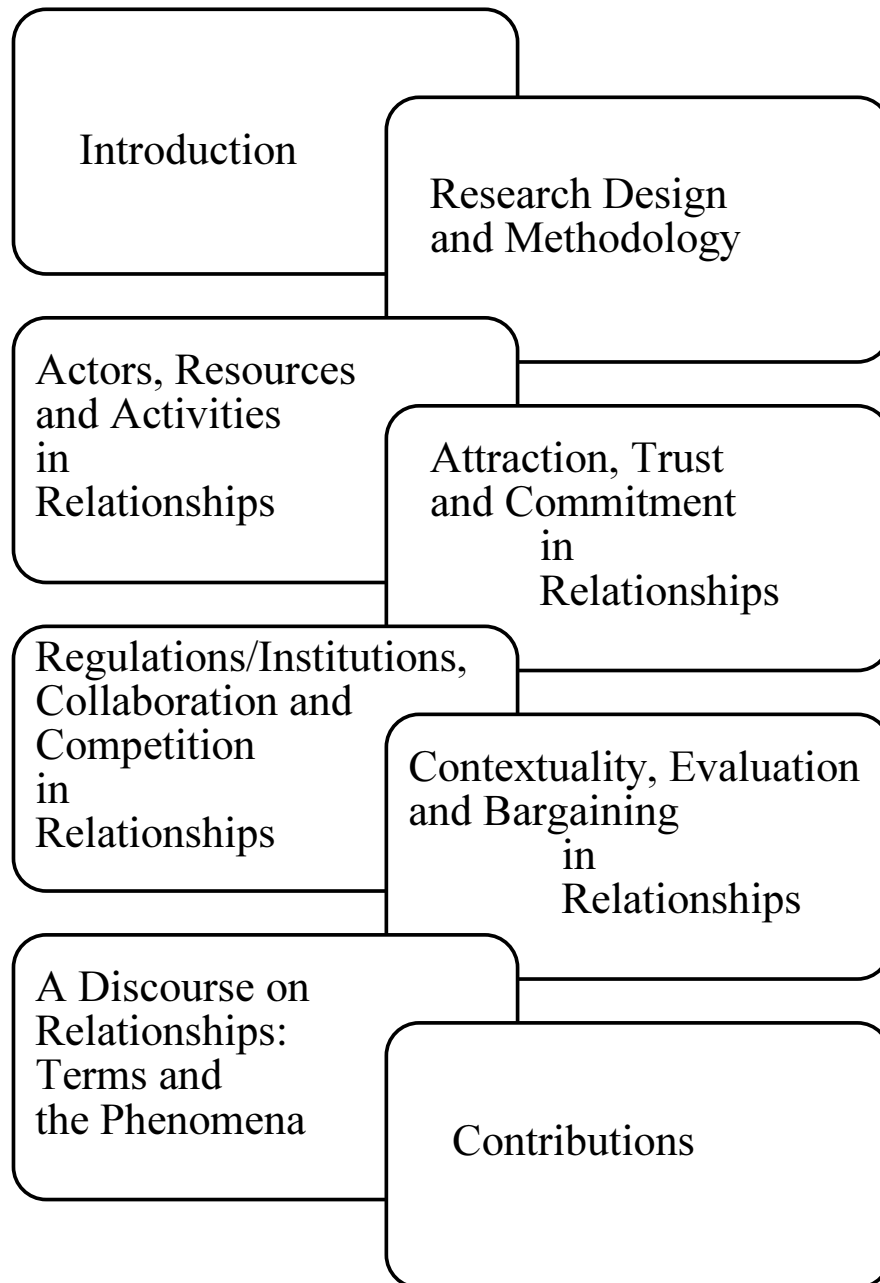


Figure 1: Structure of the case study report.

2 RESEARCH DESIGN AND METHODOLOGY

2.1 Assumptions About the Nature of Scientific Knowledge

Before describing the research design, a basic assumption underlying this study is discussed. The researcher's pre-understanding, their value⁴ system, and the concepts they use influence their understanding and interpretation of the meanings expressed by people through whom reality is studied. Marketing scholars do not share a common view of science. Therefore, it is important that a reader recognises the basic scientific vantage point of the author in order to better understand their work.

The nature of different approaches to science is displayed in Appendix 2. In this table, the categories of so-called positivistic/empiricist and relativistic/constructionist views of science originate from Peter and Olson (1983) while the category of modern empiricism is identified by Hunt (1991), who notes that neither relativism nor empiricism represents a monolithic body of views.

Many scholars have adopted the relativistic view of science. However, my views and values concerning science lead me to adopt the standpoint of modern empiricism. According to this standpoint, the central aim of science is to acquire knowledge of how the world really is, even though achieving absolute truth is not within the reach of science. The correspondence between theories and collectively perceived reality is a central aim of science as an epistemic enterprise.

We have to make a distinction between science⁵ and research. I fully agree that scientific research is subjective and that every researcher acts from their own points of departure. However, the collective body of knowledge created by individual scholars creates the science. Accordingly, science, if not objective, is at least inter-subjective.

2.2 Logic of the Case Study Research

Ongoing interaction among already existing findings, theories, observations and new insights is needed to acquire knowledge. According to Coffey and Atkinson (1996),

⁴Often thought to be matters of personal choice and preference, and contrasted with 'facts' about which agreement can be obtained (Trigg 1985: 213). About the concept of value, see Wilson and Jantrania (1994).

⁵In general, any form of knowledge, but more particularly that body of empirical knowledge obtained through observation and experiment (Trigg 1985: 212).

one must always be prepared to engage in creative intellectual work, to speculate about the data in order to have ideas, to try out a number of different ideas, to link one's ideas with those of the others, and so to move conceptually from one's own research setting to more general, even abstract level of analytic thought (*ibid.*, 142).

Consequently, both divergent and convergent reasoning and argumentation serve as tools of the study.

This study utilises abductive logic, first presented by Aristotle under the term of 'apagoge' (see e.g., Aristoteles 1, 1994). Since then, abductive logic has been the concern of Peirce (1931-58), Hanson (1958), Thagard (1978), Eco (1979, 1983, 1984), and Bonfantini and Proni (1983). Eco (1984: 40) defines abductive logic as "the tentative and hazardous tracing of a system of signification rules which will allow the sign to acquire its meaning".

This kind of approach gives a more central role to empirical data and allows for more dynamic interaction between data and theory than the deductive or inductive methods which are traditionally used in marketing research (Coffey and Atkinson 1996). Abductive logic includes a kind of hermeneutic circle, an interpretation of facts which one has pre-understanding of (for similarities in hermeneutic and abductive logic see Eco 1979).

In their presentation of deductive, inductive and abductive logic, Alvesson and Sköldbbergs' (1994) point of departure in abductive logic parallels Chomsky's (1968) idea of the origin of abduction. According to them, abduction mainly starts with the 'raising' of empirical data to the theoretical level (from surface to deep structure). The differences among deductive, inductive and abductive logics are depicted in Figure 2.

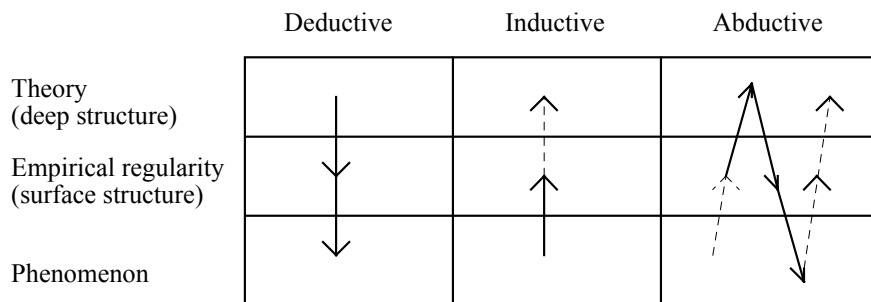


Figure 2: Distinction between deductive, inductive and abductive logic.
(Modified from Alvesson & Sköldbberg 1994)

In the study at hand, abductive logic has followed the path described in Figure 3 below. My experience of business relationships in practice, my Master's thesis (Mittilä 1993), and a conference paper based on the empirical findings of my colleagues and myself (Lehtinen, Hankimaa, Mittilä 1994) served as pre-understanding for the focal research. The literature review was energised by writing and presenting papers in conferences, and the feedback on those papers

has guided my thinking during this first process. Theoretical knowledge of the research area and the objectives has increased through PhD courses and teaching, while empirical knowledge has increased during collection of the empirical data.

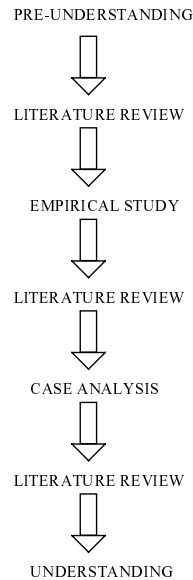


Figure 3: Intercommunication between theory and practice in the focal study.

A second intensive dive into the literature was made after the empirical data was collected and the focus of the study decided upon. This was done to select the appropriate theoretical tools for analysing the data. As a result, three models pertinent to the research problem were selected for the case analysis. The analyses revealed issues that were worth further theoretical elaboration. Consequently, a new conceptual model of industrial supplier-customer⁶ relationships was developed. To elaborate upon the concepts of the model and the concept of relationship, a third literature review was conducted and the empirical evidence analysed. Thereafter, conclusions were drawn.

2.3 Research Design

2.3.1 Case Study Approach

Business relationships are fuzzy and complex phenomena. According to Bonoma (1985: 202), these kinds of phenomena cannot be usefully studied outside their

⁶ In this study, the concept of the supplier-customer relationship is adopted. It is used as a synonym for the buyer-seller relationship.

natural context. Consequently, case-studies are the most suitable for these phenomena.

A case-study attempts to arrive at a comprehensive understanding of the event or phenomenon under study while at the same time seeking to develop more general theoretical statements about regularities in observed phenomena. Coffey and Atkinson (1996) emphasise that case-studies are suitable for abductive studies that aim at concept development and theory generation.

A case-study refers to a detailed analysis of an individual case with the assumption that "one can properly acquire knowledge of the phenomenon from intensive exploration of a single case" (Becker 1970: 75). According to Yin (1991: 47-48), there are three rationales for a single-case design. First, in the critical case, the theory has specified a clear set of propositions as well as circumstances within which the propositions are believed to be true. In the second rationale, the case represents an extreme or unique situation where any single case is worth documenting and analysing. A third rationale for a single-case study is the revelatory case when an investigator has an opportunity to observe and analyse a phenomenon previously inaccessible to scientific investigation.

Yin (1991: 49) distinguishes between holistic and embedded case-studies. A holistic case study includes only a single unit of analysis, and the case is studied as a whole. An embedded case study includes multiple units of analysis, and the case is studied from different angles. Accordingly, the same case study may involve more than one unit of analysis. This occurs when, within a single case, attention is also given to a subunit or subunits. According to Yin, an embedded design may have some pitfalls. A major pitfall occurs when the case study focuses on the subunit level and fails to return to the larger unit of analysis.

Industrial supplier-customer relationships have been largely studied with an emphasis on the company level. It was hypothesised that research on a company's 'lower' level customer relationships in their context would provide new insights into the issue. An embedded single-case design was selected because of the original research design which encompassed two phases. Empirical data was supposed for two distinctive studies. In the first phase (aiming at the licentiate thesis), the plan was to study different industrial supplier-customer relationships of one company. In the second phase (aiming at the doctoral thesis), the issues of interest were the impact of different customer relationships on the marketing strategies and, finally, on the marketing orientation of the supplier company. Consequently, following the thoughts of Stake (1994), who states that in an instrumental case study it is vital to choose a case that is meaningful in terms of achieving the aim of the study, the present case company was selected.

2.3.2 Selecting the Case

For the purpose of the study, a company operating in many different lines of business was presumed to be ideal. The process of finding the case company dates back to a research project led by professor Uolevi Lehtinen and partly funded by the Finnish Academy. The purpose of the project, begun in 1994, was

to elaborate upon relationship marketing and marketing know-how in small and medium-sized industrial firms. In charge of the empirical part of the project, I started searching for a potential case company in August 1995. After numerous contacts with leaders of other projects whose funding originated from the same source as ours, a company called Instrumentointi Oy came up.

Instrumentointi Oy is a Finnish high tech company which, at the time, was operating in three different lines of business: industrial automation, service (petrol) station automation⁷, and defence technology. The company's customers come from several various industries. A quick overview of the company is presented in Figure 4 while a more in-depth introduction to the company is presented in the case description in Appendix 1.

The company is known as a dynamic, research-friendly firm where the quality systems⁸ were developed together with the Tampere University of Technology. The size of the company was ideal. It is a medium-sized enterprise with five different divisions and not too many layers of management, so a holistic picture of the company was fairly easy to get. Due to its location in Tampere and proximity to my university, it was easy to visit for interviews. This was important both for temporal and economic reasons.

The first contacts with the main owner of the family company indicated that he was favourable towards our research. However, it took nine months to negotiate the access for the empirical study. Discussions were conducted with the owner, the managing director and, finally, with the board of directors. The outcome was that four out of five divisions decided to take part in the study: Avionics Division, Installation Division, Service (Petrol) Station Systems Division and Special Systems Division.

⁷ Service (Petrol) Station Systems Division was sold in November 1999.

⁸The other researcher in our project, Anne-Mari Järvelin, was interested in relationship quality as a proper extension of the internal quality system.

Instrumentointi Oy

<i>Lines of business</i>	Industrial Automation		Service (Petrol) Station Automation	Defence Technology	
<i>Divisions</i>	Engineering Division	Installation Division	Service (Petrol) Station Systems Division	Avionics Division	Special Systems Division
<i>Products</i>	<p>specialised in the engineering and holistic deliveries of industrial automation</p> <ul style="list-style-type: none"> - automation and electrification design - application software - equipment - testing - introduction 	<p>installation and process electrification of industrial automation</p> <ul style="list-style-type: none"> - collaboration with the Engineering Division - own projects 	<p>fuel dispensers service station automation systems maintenance of equipment</p> <ul style="list-style-type: none"> - production, product development and marketing - new supplies to existing systems - new holistic systems - tailored design, installation, introduction and maintenance 	<p>measuring devices and equipment aviation electronics ship and defence electronics</p> <ul style="list-style-type: none"> - maintenance and repair <p>communication and navigation equipment</p> <ul style="list-style-type: none"> - sales 	<p>system development and system design services and equipment</p> <p>military training, management and control systems</p> <p>information security solutions</p> <ul style="list-style-type: none"> - for information systems - payment terminal security - key control systems
<i>Collaboration</i>		<p>Pohjois-Suomen Automaatiourakointi OY PSAU</p> <ul style="list-style-type: none"> - a subsidiary of Instrumentointi oy - installations and maintenance in Northern Finland 	<p>- collaboration with oil companies and end users in many different market areas</p> <p>- more than half of the production is exported</p> <p>Insta Systems Sverige Ab</p> <ul style="list-style-type: none"> - a subsidiary of Instrumentointi oy - responsible for marketing and selling in Sweden <p>A/S Gasser</p> <ul style="list-style-type: none"> - a joint venture company in Tallinn, Esthonia <p>Instrumentointi oy is a member of PEI (Petroleum Equipment Institute) and C.E.C.O.D. (Committee of European Manufacturers of Petroleum Measuring and Distributing Equipment)</p>	<p>The division has a Paneuropean repair shop license JAR 145</p>	
<i>Customer Industries</i>	<ul style="list-style-type: none"> - mechanical wood processing, bulk lines and chemical pulp - power plants and stations - paper and cardboard - chemical industry - dairies - food industry - water and waste water industry - engineering industry 		<ul style="list-style-type: none"> - fuel distribution 	<ul style="list-style-type: none"> - military aviation - civil aviation - security insurance in society 	<ul style="list-style-type: none"> - security insurance in society - railways - banking - telecommunications

Figure 4: Overview of the case company: lines of business, divisions, products, collaboration partners, and customer industries.

The question concerning the appropriate number of cases needed when attempting to obtain a holistic view of a specific phenomenon is raised in the methodological literature. According to Gummesson (2000), case-studies are time-consuming and one seldom has time to carry out more than a very limited number of in-depth case-studies within a research project. According to Coffey and Atkinson (1996), the number of cases is of secondary interest in developing and refining concepts.

Preliminary discussions with the division directors were conducted to get a picture of the organisational structure of the company and the customers. It turned out that, in order to get as comprehensive an overview of the variety of relationships as possible within the limits of time and money, three different yet typical customers for each division would fulfil the needs of the study.

In addition to looking at the marketing practices and relationships of the case company, the study includes twelve sub-cases (later referred to as the focal relationships): 12 relationships between the supplier divisions and their customers. The choice of the customers was made by the division directors who were also asked to identify appropriate informants⁹ in each relationship in order to ensure that the essence of the relationships was addressed.

In the course of the research process the empirical reality proved to be rich, to the extent that it offered a possibility to focus on the relationships and generate new theoretical ideas. Thus the focus of this study was selected. However, the data collected from the supplier company's marketing practices has widened the overall picture with respect to the factors affecting the focal relationships.

2.4 Methodology

2.4.1 Data Collecting

The empirical data was collected through in-depth interviews based on guides founded in theoretical literature on the subject. There were two interview guides¹⁰: one concerning marketing issues of the supplier company and the other concerning the focal relationships. The former was used when interviewing top management about marketing issues at the company level, and division directors about marketing issues at the division level. The latter guide was used when interviewing people as representatives of the relationship parties.

As the interviews went on and knowledge increased, some of the questions turned out to be irrelevant in the context, and the interviews became more qualitative theme interviews. The length of the interviews varied from 45 minutes

⁹An informant is a person who not only has the knowledge and experiences that are of interest to the researcher but also the potential for communicating this knowledge and experience (Meyer 1994: 216).

¹⁰ The final interview guides are in Appendix 3 and Appendix 4.

to almost three hours with the average being an hour and fifteen minutes. Thirty of the 31 interviews were recorded.

In literature, McCracken (1988) suggests four basic steps in conducting long interviews. The first step is to review analytic categories and to begin the design of the interview. This demands that the researcher thoroughly review the available literature in the particular area of interest. The second step is to review the cultural context and add to the interview's design. For this the researcher must have a solid understanding of the cultural context in which the phenomenon appears. The third step includes the design of the general questionnaire and the initiation of the interview process. The interviewer may eventually cover all the basic categories, but which categories emerge as more important is determined only as the interview itself emerges. The fourth and final step is to discover the analytic categories. This means that the interview data must be analysed by the researcher. The predetermined analytic categories may not hold up when the interview is completed; some areas may emerge that require more study and a return to the interviewee for clarification or additional information. Interviews, thus, require researcher access over the entire period of analysis. (Meyer 1994)

During the research process, I read theory literature about the subject area and wrote conference papers (Mittilä 1995, Lehtinen and Mittilä 1995, Järvinen and Mittilä 1995) before entering the field. Furthermore, I made two preliminary semi-structured interview guides based partly on the one used in my Master's thesis and partly on new readings. The interview guides draw on multiple theoretical areas: relationship marketing (including database marketing, interactive marketing, network relationships and relationship management); organisation theory; services marketing; organisational, competitive and marketing strategy literature; and contingency theory.

The interview guides were tested beforehand in an interview with an owner of a small company that supplies different machines, equipment and devices for the Finnish Defence Forces. This was done to ensure the validity of the research issues, to gain pre-understanding of a customer relationship with a major institutional client, and to test the time needed for a single interview. Furthermore, the interviewee was familiar with the managing director of Instrumentointi Oy and could give me some preliminary information about the company.

In June 1996, preliminary discussions with the representatives of each participating division of the case company were conducted. Both my research colleague and I were present at those interviews. Furthermore, we were invited to make a tour of the premises to get an overall picture of the company and its operations.

On the basis of this preliminary orientation to the company, my colleague and I were able to analyse our experiences, impressions and views together, discussing and improving each other's themes and interview guides so that we could cover as wide and deep an area on the issue of customer relationships (and elements affecting them) as possible. This was done because issues concerning

the context, and especially the deep content of business relationships, are studied to a lesser extent empirically.

After the initial interviews with the representatives of the supplier company, I conducted interviews between August 1996 and September 1997. The supplier representatives of each relationship were interviewed before interviewing the customer parties.

The managing director and the marketing director (main owner of the case company) were individually interviewed. The division manager, the manager of maintenance and the sales manager gave their interviews separately in the Avionics Division. The director, as well as three project managers, of the Installation Division were interviewed one at a time. In addition the division director, a system specialist and a product manager were interviewed separately in the Special Systems Division. In the Service (Petrol) Station Systems Division, however, interviews were conducted in groups, at their request. The division director gave an interview with the marketing manager, and the other interviewees from the division (the sales manager, the manager of technical department, and the product group manager from the automation service department) were interviewed together. In all, 18 people in the supplier company were interviewed in 19 different face-to-face contacts.

For 11 case-studies on the customer side, one representative of each customer organisation was interviewed. The respondents were identified as key informants by the supplier party. In Teboil's case, the three representatives gave their perspectives together in a group interview while other interviews were individual ones. Thus, a total of fourteen customer representatives were interviewed. The interviews took place on the premises of the respondents.

In addition to the information collected in the interviews, some of the respondents also provided me with written documentation concerning their companies. Instrumentointi's annual reports and a book about the history of the company provided further information, as did their brochures and organisation charts (not provided by every division). Furthermore, from the Avionics Division I received some material concerning technical information, products, licenses, etc. In the Installation Division I had the opportunity to get acquainted with the documentation of their quality system.

Of the customers, Esso, Neste and Teboil made their annual reports available. The companies belonging to the Metsä-Serla pool provided me with different reports on Metsä-Serla and Metsäliitto. Furthermore, with Tako and Kyro, as well as Finnair and the Neste Oil Refinery, short tours of the premises were given.

In the data collecting phase, in addition to the interviews and the observations (which were not systematically documented), information was also gathered by using two quantitative measures¹¹. In the case of Esso, where the organisational structure resembles that of Teboil, two key persons were not interviewed but they filled in the questionnaire cards.

¹¹ See Appendix 4.

The respondents gave their opinions on the importance of the factors affecting the focal relationship (for more, see Haahti 1989) by using a Likert scale with the values 'no impact' at one end and 'critical impact' at the other. Opinions of the focal relationship were measured using a Semantic-Differential scale based on the relationship marketing literature (for more about the characteristics see Lehtinen et al. 1994). The characteristics at the left end of the scale represented those that, in marketing theory, are seen as typical of transactional relationships while the characteristics at the right end were supposed to represent those typical of relational exchange.

Altogether 33 opinions concerning the focal relationships were given. The number of respondents was 28, twelve of whom come from the supplier party and sixteen¹² from the customer party. Of the respondents, seven (four suppliers and three customers) came from the avionics branch and six (three + three) from the automation industry. Ten respondents (three + seven) represented the service (petrol) station systems industry and five (two + three) the special systems branch. In the Service (Petrol) Station Systems Division, two respondents from the supplier party gave their opinions of two relationships, and one respondent gave his opinions concerning three different relationships. In the Special Systems Division, one person was responsible for two customer relationships and evaluated both of them.

2.4.2 Data Processing

Fleming (1974) has presented a methodological analysis model that uses two conceptual tools: a classification of basic properties and a set of operations performed on these properties. Although presented for a study of artefacts, the concepts are also useful in the study at hand. Adapted to this study, the properties are the structures and functions of the case company and focal relationships. The operations of the analysis include *identification* (a factual description), *evaluation* (judgement of relevant factors), *analysis* (the object's relation to relevant factors), and *interpretation* (the object's relation to the pre-understanding of the researcher).

In the focal research process, identification, evaluation, analysis, and interpretation were intertwined. A description of empirical data was followed by interpretation and evaluation. After that came the first analysis phase and then a new interpretation process which caused a new process of evaluation, analysis and interpretation. In the study, the research process and reporting process intertwined due to the abductive logic of the research.

Predetermined images of the relationships did not hold up when the interviews were completed. I had in hand richly descriptive narratives that probed key areas of interest in depth, as well as qualitative and quantitative data. To analyse the

¹² In the customer party, two of the respondents did not participate in the interviews. They were, however, key persons in the focal relationship.

data, tools were needed but, at that time I could not find any ready solution for my purposes from the literature. Consequently, a TUA (three unit analysis) method was developed. In the first unit, quantitative data was analysed. In the second unit, qualitative data was – after coding – analysed with three primary models. In the third unit, the data was analysed with a model that resulted from the primary analyses.

The data analysis process is depicted in Figure 5. The recorded interviews were transcribed (29 in full, one in part). After that, the first categorising of the answers was made following the question themes of the interview guides. The additional issues that had evolved during the interviews were handled as such.

The interviews concerned with the focal relationships were then combined, relationship by relationship, to get both parties' perceptions of the focal issue. Thereafter, I wrote the case description on the basis of the evolved narratives and the categorised answers.

On the basis of a literature review and the understanding gained from the field study, I selected three contemporary theoretical models that seemed to be suitable for analysing the data. The first of them was developed within the IMP group and addresses the concepts of actors, resources and activities in relationships and industrial networks. According to Håkansson and Snehota (1995), three layers of the 'substance' of a business relationship can be identified using the ARA model.

The second model selected comes from the service sector. It addresses such concepts of exchange relationships as attraction, trust and commitment. In her study, Halinen (1994) identified attraction, trust and commitment as evolving relational bonds in the relationship (see also Halinen 1994a). Lehtinen and Mittilä (1995) have also presented a framework where satisfaction is connected to attraction, trust and commitment.

The third analytical model, coming from the relationship marketing approach, addresses the concepts of regulations/institutions, collaboration and competition. Gummesson (1999) introduced a model of Marketing Equilibrium that is a marketing management correspondence to market equilibrium, the traditional concept of neo-classical economics. Complete marketing equilibrium consists of two partial market equilibria, external and internal, referring to the boundaries of an organisational actor.

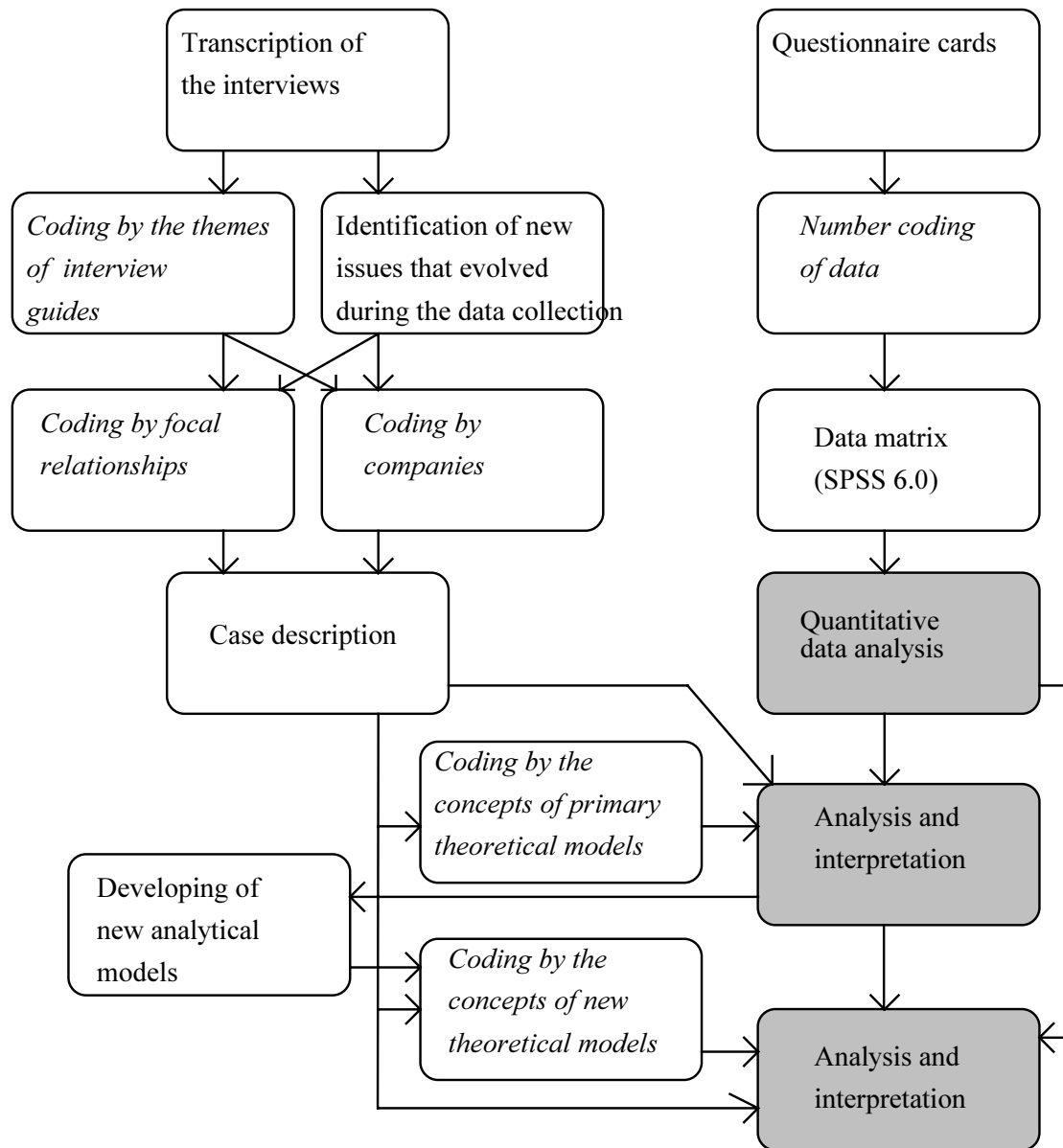


Figure 5: Data analysis process of the study.

After the selection of the models, I coded the case description by hand according to the concepts of the models. This was presumed to be more sensitive to the fine points of the data than mechanical coding. The interpretation between concepts and empirical data was made following the logic depicted in Table 1.

data	formal concept
firms and people who are involved in the relationship	Actor
factors that enable or delimit the existence of a company or a relationship	Resources
functions and operations	Activities
fact or feeling that makes people think and behave positively towards an object	Attraction
subjective positive attitude towards the object, which allows operating without formal agreements or precautions	Trust
subjective mental or factual state of existence that ties relationship parties together	Commitment
rules and systems that set conditions for functions, operations and behavior	Regulation/ Institution
functions and operations that firms or people do together	Collaboration
functions and operations among firms or people that try to attain the same object	Competition

Table 1: Interpretation of data in formal concepts of the primary models.

The quantitative data collected with the questionnaire cards was coded as follows: the opinions concerning the focal relationship were coded from one to seven, from the left to the right end of the scale, while the assessments on the impact of different factors were coded from one to five. The data was then analysed with the SPSS 6.0 statistical program, using the analysis of variance where possible and Pearson's chi-square tests as well as cross tabulation of variables. The data did not allow any in-depth tests.

The quantitative data was categorised and analysed according to relationships, parties (supplier or customer), industries (divisions), and the roles of the

respondents. In the first categorisation of the roles, respondents were classified according to the responsibility they held in their organisations. Twelve evaluations came from people in positions of strategic responsibility while the others (21) came from people with operational responsibility. In the second classification, evaluations were categorised according to the type of the respondent's occupation: eight with commercial occupations, 14 with technical occupations, and 11 with administrative occupations.

In the next phase, qualitative and quantitative data were brought together. The analysis and interpretation of the data gave new insights into the theory of business relationship. The importance of context (i.e. factors outside the core relationship) to the focal relationships was so obvious that it needed more theoretical elaboration. Respondents' different opinions and perspectives on the focal issues, as well as the ways in which relationship parties perceived their environment and ensured their own existence and benefits, emphasised the role of evaluation in business. Bargaining and negotiating also came up strong in all of the focal relationships. Consequently, these concepts also needed to be addressed, which brought me to a new search for theoretical knowledge.

The reasoning behind the new Relation Trine model was based on the existing literature and on the empirical data. For every concept, the research process included the development of tools for their empirical analysis – dimensionalising and modelling. The next phase of the process was the coding of the data using the concepts and their dimensions, and the re-analysis and re-interpretation of the data from the new perspective.

Another issue that came up during the research process was the concept of relationship. In the literature, terms of relation and relationship seem to be used as synonyms. However, in the empirical study, not all of the focal relationships seemed to fulfil the characteristics that have theoretically been labelled as those of a relationship. Consequently, a theoretical review was made to elaborate the phenomena and terms of relationships.

2.4.3 Assessing the Methodology

The role of the researcher is essential in a case study. The methods one chooses for collecting the data dictate the level of analysis. For me, the main method was the interviews based on the theoretical literature. The interview guides made sure that all the theoretically interesting topics were covered in every interview. On the other hand, the interviews also enabled the collection of information that did not fit my theoretical pre-understanding.

In the individual interviews the interactions between the respondents and myself varied to an extent. Some respondents were open and eager to discuss while others strictly answered the set questions. In the group interviews, the group dynamics at first produced some uncertainty as to the roles of the respondents but it also provided different perspectives on the same object. Thus, information on their intra-organisational relationships was transmitted to me not

only verbally but also in an observable form. The fact that the interviews were conducted on the respondents' premises enhanced my understanding about both the physical and mental reality in which the focal relationships exist.

Due to the ambiguity of vocabularies in the qualitative research of marketing science, my wish in the study was to obtain empirical information that could be compared at some level of 'objectivity'. Therefore, in addition to the free verbal information from the respondents, they were asked to fill in cards with text and boxes. At that stage I did not use any numbers on the card concerning relationships, in order to avoid provoking any ranking of characteristics. However, the respondents were asked to fill in the cards only after the interview, which might have influenced their assessments. Despite that, the information gathered with the cards enabled me to cross-check their verbal statements and quantitative assessments of the issues. Furthermore, by using a quantitative analysis I could make observations concerning both the empirical reality and the concepts and their relationships. By using the formal language of mathematics, less interpretation is needed, due to the fact that there is a fairly unambiguous understanding of it. Results can also be presented in a more condensed form than by using the linguistic language.

The data analysis method enabled me on the one hand to empirically verify the theoretical concepts of the models in a new empirical context. On the other hand, it revealed a theoretical gap in the theory of relationships. All in all, in this case, abductive reasoning generated new ideas for the marketing theory.

3 ACTORS, RESOURCES, AND ACTIVITIES IN RELATIONSHIPS

3.1 ARA Model (Actors, Resources, Activities)

Anderson, Håkansson and Johanson (1994) characterise the function of business relationships with respect to three essential components: actors, activities and resources. Håkansson and Snehota (1995, 1997) state that three layers of the 'substance' of a business relationship can be identified using the ARA model. According to them: "A relationship develops between two companies as some activity links, resource ties or actor bonds are formed between two companies. These links, ties and bonds make up a relationship that can be conceived as a 'quasi-organisation' " (1997: 168). The 'quasi-organisation' is a form of 'group' introduced by Alderson (1957). It also seems to correspond to Gummesson's (1999) concept of imaginary organisation.

Actors control activities and/or resources. Individuals¹³ and collective actors form a two-level hierarchy. Further, collective actors can be groups of individuals, parts of organisations, organisations, or groups of organisations. Actors develop and maintain relationships with each other. Within a business relationship, the concept of an actor depends to a great extent on the context in which it is used. In the network context, firms can be conceptualised as collective actors (cf. Emerson 1981). However, within the interacting organisations there are usually multiple individual human and technical actors affecting the holistic relationships between them.

Although business relationships between collective actors tend to be long-term, the nature and substance of these relationships does not remain unchanged. The impact of different single actors on a holistic relationship may change over time as the relationship evolves. People involved in the relationship may vary, and technical development opens new ways of doing things in the relationship. One example is the development of computer systems with which a customer and a materials provider are connected to each other in order to initiate and execute purchase decisions automatically. (cf. Grönroos 1994; Halinen 1994; Lehtinen and Järvinen 1996) Furthermore, individual actors attend the activities with all of their personality, not just with some specific role character; they bring along their own knowledge and feelings and share them with other individuals.

Resources are connected to the actors as well as to the activities. In order to complete the activities, the actors need resources. Furthermore, resources are used in activities that are needed in order to change other resources. Gadde and Håkansson (1992) distinguish among five different types of resources: human, technical, financial, procurement, and marketing. In his work concerning the fine

¹³ Individual actors may also be seen as resources.

paper sector, Rosenbröijer (1998) uses a typology based on financial, physical, organisational, human, technological, and reputation resources.

All of these types of resources are strongly dependent upon one another. If one of them is changed or has to be changed, some or all of the others may also change or need be changed. The different actors within a business are counterparts to each other, a part of each other's resources. However, only human resources have the capacity to learn and reflect and to determine the use of other resources.

Easton and Ajauro (1996) have identified several dimensions or attributes to be studied for the resource layer: existence (creatability, decreatability, durability), evaluation (valuation, evaluatability, scarcity, positive or negative value), relationships to actors (controllability, accessibility, tradeability), and relationships to other resources and activities (integrity, versatility, complementarity, understandability). According to Håkansson (1992), a resource is mainly evaluated with regard to its use and not to any intrinsic attributes it may have. Easton and Ajauro (1996) claim that the more difficult it is to access, own and control a resource, the more individual firms and organisations have to rely on exchange relationships and specialisation of resources and activities.

Activities are based on resources. Resources are used during the activities in order to cultivate other resources. This is the case for both production and commercial activities. The activities, in this way, bind resources to each other, and even give value to resources. Resources and activities are usually interwoven (cf. Håkansson 1992). According to Vuorinen (1989), activities in interaction networks are accumulating processes where relationships are created, developed, maintained and terminated in order to achieve short-term profits or to guarantee long-term survival. In the next sections, the empirical data will be analysed and discussed using the concepts of the ARA model.

3.2 Actors in the Focal Relationships

The focal customer relationships¹⁴ of the case company are the Avionics Division's relationships with Finnair's technical division (A1, later referred to as Finnair)¹⁵, Air Patrol Squadron of the Frontier Guard (A2, later referred to as APS) and the National Bureau of Investigation (A3, later referred to as NBI), the Installation Division's relationships with Metsä-Serla Kyrö (B1, later referred to as Kyrö), Metsä-Serla Tako (B2, later referred to as Tako) and Neste Engineering (B3, later referred to as Neste), the Service (Petrol) Station Systems Division's relationships with Esso (C1), Teboil (C2) and Suomalainen Energiaosuuskunta (Finnish Energy Co-operative, C3, later referred to as SEO), and the Special Systems Division's relationships with Police School (D1), Merita Bank Data (D2,

¹⁴ See the focal relationships' descriptions in Appendix 1.

¹⁵ The relationships in avionics are labelled A1, A2 and A3; in installation automation B1, B2 and B3; in service (petrol) station systems C1, C2 and C3 and in special systems D1, D2 and D3. These labels are used in the tables of the report.

later referred to as Merita) and Osuuspankkitarkastus (Inspection Unit of OKOBANK, D3, later referred to as OKO). The organisational parties and individual actors (the focal relationships) are depicted in Table 2.

The relationships with Finnair (A1) and APS (A2) are relationships with a two-level construct. The operational level decisions are handled on a daily basis by the maintenance managers. Commercial negotiations and strategic decisions concerning the relationship are made at a higher level, between the supplier's division director and Finnair's department manager and the chief officer of APS. In the relationship with NBI (A3), the key actors (those responsible for the relationship) take care of commercial and technical activities and the specialists in technical interaction.

In the relationships with Kyro (B1), Tako (B2) and Neste (B3), the key people responsible for the activities in the relationships (the supplier's project managers and Kyro's design engineer as well as project managers of Tako and Neste) handle the entire project from the first contact to the last settlement. Thus, all the higher level interaction in the relationship, both commercial and technical, is taken care of by the same people. Naturally, interaction in the implementation stage of the project encompasses interaction between the workers and the supervisors. Additionally, the highest level in the case of major conflicts, for example, is that of the superiors of the key people.

The relationships with Esso (C1) and Teboil (C2) operate at three levels. At the commercial level, the supplier's marketing and selling personnel interact with the customers' buyers. In maintenance and repair, the maintenance department is responsible for relationships to service (petrol) stations. To maintain the maintenance service, the supplier has created a network with independent entrepreneurs in addition to its own personnel. Concerning product development, the customer's personnel responsible for systems interact with specialists in the automation and dispenser departments of the supplier. The actor connections of the focal relationships are presented in Figure 6.

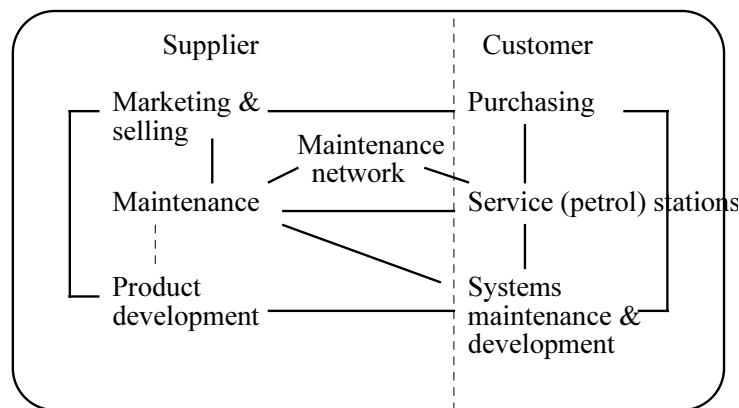


Figure 6: Connections among actors in the relationships with Esso (C1) and Teboil (C2).

Focal relationship	Supplier	Customer	Supplier individuals	Customer individuals
<i>Finnair (A1)</i>	<i>Instrumentointi</i> Avionics Division	<i>Finnair</i> Technical Division	<i>Division Director*</i> Technical Director Maintenance Manager Maintenance Supervisor Sales Manager	<i>Department Manager*</i> Maintenance Supervisor Engineering Supervisor Designer of work flows Operator
<i>APS (A2)</i>	<i>Instrumentointi</i> Avionics Division	<i>Air Patrol Squadron</i> Frontier Guard	<i>Division Director*</i> Maintenance Manager	<i>Chief Officer*</i> Maintenance staff Aeronautics
<i>NBI (A3)</i>	<i>Instrumentointi</i> Avionics Division	<i>National Bureau of Investigation</i>	<i>Sales Manager*</i> Software specialists	<i>Instrument Officer*</i>
<i>Kyro (B1)</i>	<i>Instrumentointi</i> Installation Division	<i>Metsä-Serla pool</i> Kyro	<i>Project Manager*</i> Division Director Labour personnel	<i>Design Engineer*</i> Area Supervisors Buyers Labour personnel
<i>Tako (B2)</i>	<i>Instrumentointi</i> Installation Division	<i>Metsä-Serla pool</i> Tako	<i>Project Manager*</i> Managing Director Division Director Supervisors Labour personnel	<i>Project Manager*</i> Technical Director Factory Manager Buying Manager Supervisors Labour personnel
<i>Neste (B3)</i>	<i>Instrumentointi</i> Installation Division	<i>Neste group</i> Neste Engineering	<i>Project Manager*</i> Managing Director Division Director Supervisors Labour personnel	<i>Project Manager*</i> Supervisors Labour personnel Buyer organisation

* responsible for relationship

Table 2: Actors in the focal relationships.

Focal relationship	Supplier	Customer	Supplier individuals	Customer individuals
<i>Esso (C1)</i>	<i>Instrumentointi</i> Service (Petrol) Station Systems Division	<i>Esso Finland</i>	<i>Division Director*</i> MaintenanceManager* Maintenance personnel Product Manager* Product development personnel	<i>Buyer*</i> Maintenance Manager* Technical Experts Service stations' personnel
<i>Teboil (C2)</i>	<i>Instrumentointi</i> Service (Petrol) Station Systems Division	<i>Teboil Oy</i>	<i>Sales Manager*</i> Managing Director Division Director Maintenance Manager* Maintenance personnel Product Manager* Product development personnel	<i>Buyer*</i> Managing Director Development Director Service Station Manager Project Manager* Service (petrol) stations' personnel
<i>SEO (C3)</i>	<i>Instrumentointi</i> Service (Petrol) Station Systems Division	<i>Suomen energiaosuuskunta</i> (Finnish Energy Cooperative)	<i>Sales Manager*</i> Maintenance Manager* Maintenance personnel	<i>Area Manager*</i> Staff of SEO Service stations' personnel
<i>Police School (D1)</i>	<i>Instrumentointi</i> Special Systems Division	<i>Police School</i>	<i>Product Manager*</i> Managing Director Division Director System Specialist Installation labour	<i>Head of the school*</i> Deputy head of the school Teacher of 'Coersive Means' Police School personnel
<i>Merita (D2)</i>	<i>Instrumentointi</i> Special Systems Division	<i>Merita Bank Data</i>	<i>Product Manager*</i> Division Director Design Engineers	<i>ADP security expert*</i> Buyer Personnel
<i>OKO (D3)</i>	<i>Instrumentointi</i> Special Systems Division	<i>Okobank</i> Information Security	<i>Product Manager*</i> Division Director Design Engineers	<i>Information Security Manager*</i> Personnel

* responsible for relationship

Table 2: Actors in the focal relationships (continued).

The relationship with SEO (C3) is a triadic relationship. The representative of the customer party interviewed in this study does not actually buy anything from Instrumentointi; all the purchases are handled between the supplier party and the independent service (petrol) station owners. However, as a co-operative of the entrepreneurs, SEO's responsibility is to take care of relationships with both the suppliers and the entrepreneurs.

The actor may actually be called a *bistomer*¹⁶. A bistomer is an actor representing buyers. A supplier has no monetary exchange with a bistomer which, however, has a role in the exchange of information and decision-making in a multi-party relationship. In that way, bistomers differ from traditional customers (buyers) in business. Marketing activities are directed towards bistomers to create and maintain buyer-seller relationships. Of course, bistomers may act as referees or exert influence, but their role is more official than that. For example, architects and decorators occupy this role in the construction industry. In the medical industry, doctors prescribe pills bought by consumers. In Finland, television companies have created relationships with media houses which help advertisers select the right media for their messages. In retailing, shopkeepers in different industries maintain organisations that create and enhance relationships with suppliers and other stakeholders. The focal SEO organisation is an example of this. Also, consultants often operate on behalf of their principals, and marketers interact with them in order to make a deal with their principal.

Adopting the concept of bistomer, it may be said that there are three kinds of actors in the focal SEO relationship: a supplier, a bistomer, and customers. The structure of the relationship is depicted in Figure 7.

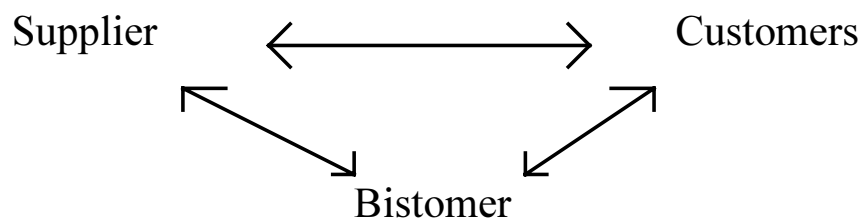


Figure 7: Construct of the relationship with SEO (C3).

In the relationship with Police School (D1), the key people are responsible for operational aspects of the relationship. They also participate in the technical and commercial negotiations and decision-making. Influences from outside the focal relationship play a large role in this relationship due to the character of the customer organisation. In the relationships with Merita (D2) and OKO (D3), the

¹⁶ The concept originates from the words bis (twice, again) and customer.

key people include those responsible for technical issues in the customer units and a person responsible for both technical and economic issues on the supplier side.

Individuals in organisational relationships occupy different positions and roles in their respective organisations. The diffusion of the respondents' occupations (the ones who assessed the focal relationships) is presented in Table 3. Those in commercial occupations are sellers or buyers while those in technical occupations are responsible for the production. The rest of the respondents work in managerial roles.

Evaluator's occupation	Relation											
	A1	A2	A3	B1	B2	B3	C1	C2	C3	D1	D2	D3
commercial			1				2	2	2	1		
technical	1		1				4	3		1	2	2
managerial	2	2		2	2	2		1				

N = 33

Table 3: Occupations of the focal respondents.

The roles of the people involved in the relationships also differ according to the responsibility they have. The worker level of the relationships is usually responsible only for their own work. Operational responsibility exists, to some extent, at the supervisory level and, to a larger extent, at the managerial level. Depending on the company, strategic responsibility may also exist at the managerial level. At the top level of the business unit, people always have strategic responsibility for their activities.

The role(s) and occupation of the human actor affect their activities in the relationships as well as their perspectives. This was clearly identified in the study and will be discussed later in the analysis. The finding verifies the assumptions of Ring and Van de Ven (1994).

3.3 Resources in the Focal Relationships

From an organisational perspective, all resources in business relations are fundamentally economic. A classification of financial, organisational, technical, human, legal, and social resources is used in this analysis. This differs from Grant's (1990) classification in that technical resources include both physical and technological resources (as sub-categories) and social resources include reputation resources (as a sub-category). The reason for selecting the above classification was that, in this context, a clear distinction between physical and

technological resources could not be made and reputation is considered to be social in nature. Furthermore, in this study, legal resources were also identified. This categorising will be discussed further, after the presentation of another classification.

In addition to the above categories, the identified resources of the focal relationships were divided into two: those possessed by the relationship parties and those created in the relationship. Actor-specific resources (supplier and customer resources) were mentioned by the respondents either as attractive factors of the other party or as constraints of the focal relationships while relational resources were mentioned as possibilities created by engaging in the focal relationships. Relational and other identified resources are presented in Table 4.

Resources		
Supplier Resources	Relational Resources	Customer Resources
Budgets Licenses Equipment Products Labour Capacity Quality Networks Technical competence Image Personal relationships Location	Working opportunity Functional readiness Ability to serve the final customer Learning opportunity technical commercial social Marketing opportunity Purchasing opportunity Development opportunity product service social relationships cooperation	Budgets Manuals Equipment Systems Trading potency Instructions Networks Industry knowledge Image Personal relationships Location

Table 4: Resources identified in the focal relationships.

Financial resources of both parties determined the degree of trade in the relationships; the money earmarked for trade is determined in organisational budgets. In public sector organisations, the state budget is the final limit of trade. In addition to these financial resources that are immediate to relationship parties (i.e. organisational budgets), financial market situation may affect the trade and the relationship. Changes in currencies and exchange rates as well as common monetary flexibility and exchange business may rapidly change organisations' plans.

In the study, the respondents assessed¹⁷ the role of financial markets and the impact of money in the relationship. The impact of financial markets was perceived to be minor in industries other than special systems, where the impact was evaluated as major ($p = 0.02$). However, significant differences did not exist at the relationship level. The assessments are presented in Table 5.

Role of financial markets 1 = no impact 5 = critical impact	
Industry	mean
Avionics	2.29
Installation	2.17
Service station systems	2.21
Special systems	3.67
Total	2.48
suppliers	2.47
customers	2.50

Table 5: Role of financial markets in the focal industries.

In the interviews, the customer respondents emphasised the moderate price level of the supplier. The price level in the markets was continuously monitored by the customers. Price is not the only or even the main criteria of a transaction in the focal relationships. However, during the recession in the early 1990s it played a larger role in the transactions than during a better economic situation.

The variation in the respondents' perceptions of price elasticity among relationships (focal relationship/card 2) was significant ($p = 0.024$). Neither the perceived dependence on the other party nor the perceived development of the relationship related to the perceived price elasticity ($p = 0.013$ and $p = 0.003$). In the Installation and Service (Petrol) Station Systems Divisions, market competition may affect price elasticity. In the industries with less competition price does not seem to be such a sensitive issue. The assessments are presented in Table 6.

¹⁷ The concept of evaluation as well as evaluation synchrony in relationships will be discussed in Section 6.4.

Price elasticity 1= high 7= low	
Industry	mean
Avionics	4.71
Installation	3.50
Service station systems	3.86
Special systems	5.17
Total suppliers	4.21
customers	4.18 4.25

Price elasticity		Relation											
		A1	A2	A3	B1	B2	B3	C1	C2	C3	D1	D2	D3
high	1									2			
	2	1						1					
	3				2		1	1	1				1
	4		1	1		2	1	1	3				
	5		1					2	1		2		
	6	2		1					1			2	1
low	7							1					

N = 33

Table 6: Price elasticity in the focal divisions and evaluations of it in different relationships¹⁸.

Organisational resources are defined here as resources that cannot be separated from the relationship party. These kinds of resources include quality, capacity and collective competence of the supplier. The customers perceived these, as well as the competitive price level, as being most important for future interaction in the relationships. The supplier party was attracted by the customers' trading potency.

The respondents were asked to evaluate the emphasis of product quality and interaction quality in the relationships (focal relationship/card 2). The assessments presented in Table 7 indicate that both qualities are important. However, in the relationships of industries other than installation the emphasis was on product quality. The evaluations of supplier representatives and customer representatives did not significantly differ. Neither did evaluations differ according to the responsibility of the respondent. However, evaluations of the quality dimension differed significantly according to the occupation of the respondent ($p = 0.032$).

¹⁸ Two tables are presented under one title to save space. In case of significant differences, further information is presented in the second tables.

Quality dimension 1= final product (goods or service) 7= interaction	
Industry	mean
Avionics	2.57
Installation	3.17
Service station systems	2.93
Special systems	2.17
Total suppliers	2.76
customers	2.65 2.88

Evaluations of quality in the focal relationships							
Evaluator's occupation	Values						
	1	2	3	4	5	6	7
commercial		1	3	2	2		
technical	3	9	1	1			
managerial	2	3	2	2		2	

1 = quality of product (goods or service) N = 33
7 = quality of interaction

Table 7: Perceptions of the quality dimensions in the focal relationships.

The parties' relationships with other organisational actors (networks) belong to organisational resources. The respondents perceived the impact of their own company's relationships to be greater than the impact of their counterparts' other relationships. No significant differences at the relationship or industry level emerged in the evaluations (focal relationship/card 1) that are presented in Table 8.

Own company's other relationships 1 = no impact 5 = critical impact	
Industry	mean
Avionics	3.14
Installation	2.50
Service station systems	3.14
Special systems	2.50
Total suppliers	2.91
customers	2.88 2.94

Counterpart's other relationships 1 = no impact 5 = critical impact	
Industry	mean
Avionics	2.86
Installation	2.33
Service station systems	2.64
Special systems	1.67
Total suppliers	2.45
customers	2.41 2.50

Table 8: Perceived impacts of the parties' other relationships on the focal relationship.

Some difference occurred in the perceptions of the counterpart's other relationships ($p = 0.084$). At the respondent level, the perceived commitment¹⁹ was not related to the perceptions of the impact of the counterpart's other relationships ($p = 0.048$).

In evaluating the impact of the other relationships of one's own company (Table 9), the perceptions varied ($p = 0.037$) at the relationship level. At the respondent level, the perceived dependence¹⁹ on the other party did not relate to the perceptions of the impact other relationships had ($p = 0.008$). Also, the perceived commitment did not have a connection with the perceived impact of other relationships ($p = 0.017$). The role of the respondent had an impact on these evaluations; the differences in evaluation were based on the evaluator's responsibility ($p = 0.012$) as well as the evaluator's occupation ($p = 0.007$).

Evaluations of the impact of own company's other relationships on the focal relationship		
Perceived impact	Evaluator's responsibility	
	strategic	operational
no impact		2
minor impact	5	7
moderate impact	6	1
major impact	1	10
critical impact		1
	N = 12	N = 21

Perceived impact	Evaluator's occupation		
	commercial	technical	managerial
no impact	2		
minor impact		7	5
moderate impact	1	1	5
major impact	4	6	1
critical impact	1		
	N = 8	N = 14	N = 11

Table 9: Respondents' perceptions of the impact of their own company's other relationships on the focal relationships.

A special group of resources is the suppliers of the relationship parties. The respondents were originally asked to evaluate the impact of raw materials or energy on the focal relationships. They, however, emphasised the role of

¹⁹ The concept will be discussed in Chapter 4.

suppliers and evaluated their impact together with an evaluation of the impact of raw materials or energy which were not seen as being of great importance in any industry. The assessments are presented in Table 10. There were no significant differences of evaluation at the relationship or industry level. At the respondent level, the perceived commitment to and perceived dependence on the focal relationship did not influence the perceived impact of suppliers ($p = 0.035$ and 0.034).

Suppliers, energy, raw materials 1 = no impact 5 = critical impact	
Industry	mean
Avionics	3.14
Installation	2.50
Service station systems	2.15
Special systems	1.83
Total suppliers	2.38
customers	2.12
	2.67

Table 10: Perceived impact of suppliers, energy and raw materials on the focal relationship in different industries.

Organisation's relational resources at an individual level

At the personal level, infrastructural relationships and networks (i.e. personal relationships and networks of the employees of a firm) affect the focal relationships. Infrastructural relationships usually exist at higher organisational levels of the relationship parties.

Infrastructural relationships of the supplier company are those with the politicians and governmental authorities, leading authorities in local economic life, and professional organisations (e.g. the Chamber of Commerce, the Confederation of Finnish Industry and Employers, and the Federation of Finnish Metal, Engineering and Electrotechnical Industries). In the company, the national professional infrastructural relationships are the concern of the managing director, while the marketing manager is responsible for local infrastructural relationships.

Another resource not separable from the parties is image (for the theory of image, see Beach 1990). However, it is a highly social construction and will therefore be analysed in connection with the ATC model (attraction, trust, commitment) in Chapter 4.

Other resources that could be categorised as organisational resources are the licenses and manuals owned by a party. On the other hand, these resources are also legal resources that set boundaries or create opportunities in the relationships. Legal resources will be discussed later in connection with the analysis based on the Marketing Equilibrium model in Chapter 5.

In a high tech company, **technical resources** naturally have a big role. Production equipment and equipment which is sold were identified as technical resources. Technical systems of the customers are resources in the relationships and the physical location may also be considered a technical resource. In the study, the physical closeness of the relationship parties was seen as making interaction between the parties easier. This was emphasised by the respondents of Kyro (B2) and Police School (D1).

The respondents were asked to evaluate the impact of technology on the focal relationship (focal relationship/card 1). In all the industries, technology has a moderate or major impact. The highest impacts were perceived in the special systems and service station systems while the lowest were in the installation industry.

Technology 1 = no impact 5 = critical impact		Evaluations of the impact of technology on the focal relationship		
Industry		mean		
Avionics		3.29		
Installation		3.00		
Service station systems		3.93		
Special systems		4.00		
Total		3.64		
suppliers		3.41		
customers		3.88		

Perceived impact	Evaluator	
	supplier	customer
no impact		
minor impact	2	
moderate impact	9	3
major impact	3	12
critical impact	3	1
	N=17	N=16

Table 11: Perceived impact of technology on the focal relationship in different industries.

There was a difference ($p = 0.01$) between the evaluations of the suppliers and the customers concerning the impact of technology on the relationships. The customers perceived a greater impact than the suppliers did. The perceived impact of technology on the relationship was not related to the perceived dependence on the other party ($p = 0.039$).

Human resources can materialise as social resources but here they will be discussed separately due to their critical role as 'hard-core' in some relationships. Especially in the installation industry, labour resources are scarce and therefore transactions in the relationships are dependent on them. Professional skills play a substantial role in all the focal relationships.

Concerning the impact of human resources on the focal relationship, the differences in evaluations (focal relationship/card 1) were considerable. The assessments are presented in Table 12. The impact was perceived differently at the relationship level ($p = 0.06$) and at the individual level. However, the perceived commitment was not related to the perceived impact of human resources ($p = 0.006$). The perceived degree of dependence did not relate to the perceived impact of the human resources either ($p = 0.013$).

Human resources 1 = no impact 5 = critical impact		Evaluations of the impact of human resources on the focal relationship		
Industry		mean	Evaluator's responsibility	
Avionics		3.14	Perceived impact	
Installation		3.83		
Service station systems		3.43	strategic	operational
Special systems		3.00	no impact	1
			minor impact	1 3
			moderate impact	1 10
			major impact	10 6
			critical impact	1
Total		3.36	N = 12	
suppliers		3.18	N = 21	
customers		3.56		

Table 12: Perceived impact of human resources on the focal relationship in different industries.

Depending on whether the evaluator was a person with strategic or with operational responsibility, a difference ($p = 0.047$) in the evaluations of impact was detected. Occupation also led to differences in evaluation ($p = 0.097$).

In addition to the resources that the relationship parties possess, new relational resources are created in relationships. Those created in the focal relationships varied. First of all, the relationships produced working opportunities. They created functional readiness in the avionics industry where resources like manuals and equipment belonging to one party could be used to serve other customers. The ability to serve the customer's business customers was created together in the relationships with Finnair (A1) and Neste (B3). The changing needs of the parties also created opportunities and compelled the parties to learn and adapt. Thus the stage was set for development in the relationships. Finally, new business opportunities were created, for instance in the relationship with Police School (D1) when the parties together introduced the simulations system to potential

customers, or with Esso (C1) where the customer acted in favour of the supplier in its pool.

3.4 Activities in the Focal Relationships

The multilevel constructs of the relationships affect the activities in them. Two main types of activities could be identified: marketing activities and operational activities. In addition to mutual activities in the relationships, many activities related to the focal relationship are handled by the individual parties. Some of these activities are linked with the parties' actors not involved in the focal relationship while other activities, such as episode evaluation or intra-organisational communication as in the relationships with Esso (C1) and Teboil (C2), may only be taken care of by the relationship parties. Different activities mentioned by the respondents are listed in Tables 13 and 14.

Relationship Related Marketing Activities		
Supplier Activities	Mutual Activities	Customer Activities
General planning Budget negotiations Negotiations of financing projects Customer evaluation Offering Post episode evaluation Resource development Internal communication Monitoring markets Monitoring technology Pro customer activities outside the relationship	Contract negotiations Price negotiations Delivery negotiations Conflict negotiations Negotiations of quality standards Negotiations of the future interaction (planning) Information exchange Social events	General planning Budget negotiations Negotiations of investments Supplier evaluation Purchasing Post episode evaluation Resource development Internal communication Monitoring markets Monitoring technology Pro supplier activities outside the relationship

Table 13: Marketing activities in the focal relationships.

Mutual activities are relationship specific, transaction specific and social. At the marketing level, interaction involves communication aimed at reaching agreements (negotiations) or creating the potential for future interaction through information exchange and social get-togethers.

At the operational level, activities in the focal relationships aim for physical outcomes. Even in the cases where the core product is service, service activities are directed toward physical devices or the outcome of the service is a physical product (artefact). To produce an outcome at the operational level, parties must both create and communicate. Communication exists at an official level (negotiations and evaluations) and at an unofficial level (personal communication).

In the theoretical literature, customer service is seen as a major element of relationship marketing (Christopher, Payne, Ballantyne 1991). Here, we must make a clear distinction between the contents of the concept of *service*. In marketing theory, the concept has two meanings: in services marketing theory, service is seen as a core product which is exchanged and may be compared with goods that are exchanged while in relationship marketing theory the concept of service includes the competitive advantage, extra value for the relationship party.

In the focal relationships, service, in the sense of extra value, best materialises through the supplier's flexibility as in the relationship with Finnair (A1), for example, where a device was repaired overnight. Another form of service is information transfer. Getting information which could affect decision-making was seen as good service by the respondents. At the individual level, service materialises in situations when people get advice on some issue that is not strictly related to a focal task.

Relationship Related Operational Activities		
Supplier Activities	Mutual Activities	Customer Activities
Receiving and sending goods Invoicing Physical production of goods and services Evaluation of delivery times Evaluation of costs for the customer Communication within the supplier unit Communication with co-suppliers Economic control	Evaluation of the trading potential Product development Project implementation Conflict-resolution Negotiations of price and delivery times (work routines) Information exchange of user experiences and technical issues Supplier initiated contact calls Personal social contacts	Ordering Receiving and sending goods Payments Giving instructions Quality control Economic control Reclamation Communication within the customer unit Communication with co-actors in a project

Table 14: Operational activities in the focal relationships.

In the respondents' evaluations (focal relationship/card 2) of the role of service on the focal relation, no significant differences occurred. In the relationship with SEO (C3), customer service played a small role while in other relationships its role was greater. Interestingly, in the relationship with Teboil (C2) the three supplier representatives assessed the role of service to be a category higher than the three customer representatives did. The assessments of the role of customer service activities in the relationships are presented in Table 15.

Role of service in the relationship 1 = small role; 7 = big role	
Industry	mean
Avionics	6.43
Installation	6.50
Service station systems	5.43
Special systems	6.33
Total suppliers customers	6.00 6.06 5.94

Table 15: Role of service in the focal relationships.

Another characteristic connected with relationships in marketing literature is the time perspective. In relationships, it is said to be long. Time perspective materialises in the planning of activities connected to the relationship. In the interviews, the respondents made a distinction between long-term plans for co-operation and short-term plans for projects or other deals. The results concerning the question of time perspective are depicted in Table 16.

In the evaluations (focal relationship/card 2), the perceived time span for planning varied considerably ($p = 0.015$) among the relationships but not significantly between industries. In the relationship with SEO (C3), both respondents perceived only a short time perspective. In the relationships with Esso (C1) and Teboil (C2), with more than one respondent per party, the evaluations varied. An indicative difference ($p = 0.055$) appeared among the evaluators with strategic and with operational responsibilities. In addition, the respondent's occupation had an effect on their time perceptions ($p = 0.083$); the people with a technical occupation had the longest time perspective in planning.

Time span of planning 1= short 7= long	
Industry	mean
Avionics	6.00
Installation	6.00
Service station systems	5.21
Special systems	6.17
Total suppliers	5.70
customers	5.82
	5.56

Evaluator's responsibility	Time span of planning						
	short				long		
	1	2	3	4	5	6	7
strategic					3	7	2
operational	2		2	1		7	9

N = 33

Table 16: Time span of planning in the focal relationships.

The degree of perceived commitment did not have any connection with the time span of planning ($p = 0.001$). Neither dependence nor perceptions of the deepening of the relationships ($p = 0.000$) affected the time span ($p = 0.039$).

3.5 Conclusions

The empirical data was analysed with the ARA model (actors, resources, activities) based on the work by the IMP Group. The model was most suitable for identifying the three layers of the 'substance' of a business relationship as stated by Håkansson and Snehota (1995, 1997). In the first 'layer', the complexity of the focal relationships can be seen in the multiplicity of actors and their connections to each other.

The study's unit of analysis was a dyad. The analysis revealed that all the focal dyadic relationships were many-headed. This is in accordance with earlier findings by the researchers of industrial relationships. However, not all the relationships were dyadic. In the service (petrol) station industry, maintenance and repair services were distributed through a network of independent entrepreneurs. On the customer side, a network of service (petrol) stations and an oil company formed a customer in two cases. In the relationship with SEO (C3), the customer was labelled a *bistomer* because it is an actor with which information is exchanged and toward which marketing activities are directed. However, it is not the buyer in this network-like relationship.

Due to the many-headed structure of the focal relationships, it became evident that interaction within organisational boundaries and intra-organisational decisions have a crucial impact on inter-organisational relationships. Therefore, further research is needed on this issue.

In resources, the second 'layer' of substance, a distinction was made between resources which exist with or without an inter-organisational relationship, and resources that are created in a relationship. *Supplier resources*, *customer resources* and *relational resources* affect the existence of a business relationship. Relationship parties' resources and resources created in a relationship are factors that create and maintain attraction at an organisational level.

The most important resources in the focal relationships were financial resources and organisational resources such as quality, trading potential, capacity, and collective competence. As regards the impact of financial market resources on a relationship, differences could be seen at the industry level²⁰. At the relationship level, there were differences in price elasticity. In organisational resources, the impact of the other relationships of the respondents' own organisation was seen to be greater than the impact of the other party's relationships. However, some of the respondents stated that the other party's immediate network creates new business possibilities for their organisation.

Concerning the impact of technical resources, there was a difference in the opinions of the supplier and customer representatives. The customers perceived a greater impact on the relationship than the suppliers did. The respondents' perceptions of the impact of human resources differed, both at the relationship level and at the individual level. At the individual level, respondents with a strategic occupation perceived a greater impact than those with an operational occupation.

As regards time perspective, the time span of planning was twofold. On the one hand, there was the long-term strategic planning of the focal relationships, while on the other hand, there was the short-term planning of transactions which has become increasingly shorter due to the hardening competition.²¹ In the focal relationships, the respondents with technical occupations perceived longer time spans for planning than those with commercial and managerial occupations.

The context of a relationship as a resource materialised in the role of financial factors, in the impact of other relationships of the organisations, and in the impact of legislation. Further processual research on relationships and influences between exchange relationships and contextual resource development is needed to better understand business dynamics.

Respondent's personality and occupational role seemed to affect their perceptions and assessments of issues. It may be concluded that the *human aspect of business relationships* – in addition to *economic* and *legal factors* – plays a substantial role in all interaction.

²⁰ Due to the rapid development of e-business, the Special Systems Division has invested in information security. In April 2000 a new corporate subsidiary, SecGo Group Oy, was created from the information security unit.

²¹ The concept of competition will be discussed in Chapter 5.

In activities, the third 'layer', two types of activities were identified in the focal relationships: first, *marketing activities* or 'giving promises'²², and second, *operational activities* or 'keeping promises'.

As regards adaptations, which have, in the theoretical literature, been pointed out as a characteristic of relationships, mutual adaptations seldom occurred at the everyday level of the focal relationships. The flexibility of the supplier organisation seemed to be highly appreciated by the customers who, in most cases, did not make any adaptations, due to the fact that there are other suppliers in the markets – substitutes, from the customers' perspective. This finding highlights the role of market competition in business relationships. At the general level, the concept of *context* includes market competition and legal factors. It may be concluded that research on relationship context is crucial in aiming to understand business relationships.

The main activity taking place between the representatives of the focal relationships turned out to be communication – bargaining, negotiations and discussions concerning different issues. Consequently, the concept of *intercommunication*²³ should be added to the theoretical discussion as a sub-category of interaction. Furthermore, *bargaining* in supplier-customer relationships is an area that is little researched in the current IMP and Relationship Marketing approaches.

Relationship parties continuously monitor and assess their status quo and future potential. They seek new working opportunities, products, and business partners. They assess and value options both within their organisation and outside it. Decisions are made as a result of this *evaluation*. Therefore, a deeper theoretical understanding of evaluation is needed in marketing.

²² Calonius (1987) has discussed the concept of promise and its significance for marketing. Grönroos (1991) has stated that relationship marketing is conducted by giving and keeping promises.

²³ The concept refers to verbal interaction among individuals even though personal communication also includes non-verbal elements.

4 ATTRACTION, TRUST AND COMMITMENT IN RELATIONSHIPS

In the marketing literature, the role of personal relationships and interaction is considered crucial for the development of organisational relationships. On the basis of earlier analysis, this is true even though economic and legal factors set considerable limits to the development.

The globalisation of competition has compelled the case company to go international which means that instead of, or in addition to, interaction with old acquaintances from one's student days, company representatives must be able to create profitable relationships with new actors. Consequently, how to attract a potential customer or supplier, how to create trust, and how to get the other party of a relationship to commit become crucial issues in business.

4.1 ATC Model (Attraction, Trust, Commitment)

The actor in a relationship may be an individual, a set of collective human actors or an artificial (legal) entity. However, I want to emphasise the fact that human beings are the ones acting, behaving and making decisions in the organisations.

In her study of the exchange relationship between an advertisement agency and its client, Halinen (1994: 324) states that the development of the agency-client relationship can be understood through six conceptual categories:

- 1) the context of an exchange relationship
- 2) prerequisites for an exchange relationship
- 3) interaction processes and interaction styles
- 4) evolving relational infrastructure
- 5) perceived outcomes of interaction processes
- 6) evolving relational bonds.

Halinen (1994) identified attraction, trust and commitment as evolving relational bonds of a relationship (see also Halinen 1994a). Lehtinen and Mittilä (1995) have presented a framework based on those concepts; in their model, the concept of satisfaction is connected to attraction, trust and commitment.

According to Halinen (1994), the development of trust and commitment, and the maintenance of attraction evidently occurs in the interaction between or among actors (collective and individual) and not in each actor separately. Interaction comprises communication and business exchange and the collaboration of activities between the parties, along with mutual adaptations and investments required during the process (Håkansson 1982; Möller and Wilson 1988; Miettälä and Möller 1990). Accordingly, the evaluation of organisations' interaction consists of both behavioural and functional elements.

Attraction is basically an interpersonal phenomenon which has been studied in social psychology and also in marketing (in the context of personal selling and

negotiations see e.g. Evans 1963; O'Shaughnessy 1972; Bagozzi 1974; Campbell, Graham, Jolibert and Meisner 1988). Nevertheless, attraction may be viewed as an inter-firm phenomenon as well (e.g. Kelley and Thibault 1978; Anderson and Narus 1984; Dwyer, Schurr and Oh 1987). In her definition of attraction, Halinen (1994) incorporates a future orientation which is lacking in Dwyer et al.'s (1987) definition, for example. Halinen (1994: 76) defines attraction as a company's interest in exchange with another based on the economic and social reward-cost outcomes expected from a relationship over time.

Alderson (1957) presented a dichotomy of attraction and repulsion with the help of the concepts *monostasy* and *systasy*. Monostasy is the condition of an actor occupying a unique position that is in some respects unlike any other in the market or in the given organised behaviour system. Systasy signifies 'standing together'. To complete the picture of the balance between systasy and monostasy, Alderson used the concept *conformability*, the degree to which, for example, the directing heads of two separate organisations in favour of working together will need to make adaptations in their organisational systems.

In explaining the tendency of two firms to work together, systasy may be regarded as the subjective factor and conformability as the objective factor. Similarly, monostasy and lack of conformability are the corresponding factors that tend to hold two firms apart. Attraction and repulsion may sometimes be treated in a blanket way, but this manner of speaking is subject to confusion through false analogy with physical forces. Distinction between the subjective and objective factors lends itself to a clearer perspective. (Alderson 1957: 328)

I agree with Alderson's thoughts on this. In business relations we have to consider both collective and individual attraction. At the collective level, attraction can be seen as a company's interest in co-operation with another actor. At the individual level it can be seen as an individual's interest in personal intercommunication. In business, attraction may, however, also be directed toward the product (goods/service) itself. In this case, attraction can be defined as an actor's interest in creating value through acquisition or utilisation of the product. Consequently, attraction to the producer or to the customer of the product plays a minor role in relations.

When entering into a new relation, attraction may mainly be based on expectations and references (for more about references, see Salminen 1997) and presumed satisfaction. In later phases of the relation, attraction is still based on future expectations, although the received experiences of the relation and the degree of involvement as well as other factors outside the focal relationship also affect it.

Trust has been a concern of many researchers (e.g. Blau 1964; Rotter 1967; Schurr and Ozanne 1985; Anderson and Weitz 1989; Anderson and Narus 1990; Ganesan 1994; Blomqvist 1995; Dion, Easterling and Miller 1995; Fukuyama 1995; Young 1996; Huemer 1998). Anderson and Weitz (1989, 312) define trust as one party's belief, which must be fulfilled in the future by actions undertaken by the other party. Moorman, Zaltman and Desphande (1992) define it as a willingness to rely on an exchange partner in whom one has confidence.

Salmond (1994) looks at trust over a relationship's life cycle. According to her, trust between relationship partners changes over time. It can grow or wither as partners experience risky events (and these experiences become history) and as the future is reinterpreted. In the formative stages of a relationship, trusting expectations may be founded upon visions of the future (Dwyer et al. 1987). Knowledge and experience may be the foundations of trusting expectations that sustain a relationship during its mature stage. Contextual factors (e.g. other members of the network) can heavily influence the perceived trustworthiness of the other party. The foundations of trusting expectations may change over time as different weight is placed upon past experiences and anticipated futures. It may also be that, over time, re-calibrating trusting expectations influences the dynamics of the relationship life cycle (Salmond 1994).

Trust can be placed on the individual or the collective entity. This means that one actor may have less trust for another than they have in the firm and vice versa (Wilson and Mummalaneni 1988). In many cases it is crucial to understand to what extent trust is based on personal credibility or on the trustworthiness of the firm. Where certain personal relationships are important, changes in them may be decisive for the continuity of the whole relationship. On the other hand, it is likely that corporate trust develops over time through the concerted actions of the individuals representing the company (Wilson and Mummalaneni 1988). The performance of individuals provides satisfaction and leads a party to trust in the other actor's ability to fulfil future needs (Halinen 1994). In my view, trust may be seen as an attitude toward a particular object.

Commitment in the marketing literature has been viewed from two distinct perspectives, behavioural and attitudinal (e.g. Ford 1982; Cook and Emerson 1978; Morris and Holman 1988). Lehtinen and Mittilä (1995) define commitment behaviourally. It is also a function of behaviour, increasing the involvement in the relationship. Consequently, the strength of commitment depends on the degree of investments and adaptations made in the relationship (Ford 1982; Wilson and Mummalaneni 1986; Anderson and Weitz 1992).

Attitudinal commitment refers to the willingness to develop and maintain a relationship, also in the future. In Lehtinen and Mittilä's (1995) framework, the attitudinal perspective of commitment is connected with the concept of attraction. Festinger (1964) and others have raised the question of the nature and direction of causation in relations between attitudes and behaviour. My view is that over the course of time each probably influences the other.

Theoretical views as to the sources of commitment vary. Social exchange theory (see Blau 1964; Homans 1961; Thibault and Kelly 1959) emphasises benefits and costs, or rather the difference between the two, as the main determinants of human action. The essence of commitment involves a positive net reward gained from a relationship and the stability of that particular relationship (e.g. Becker 1960). Stability has been recognised as a main aspect in recent studies of commitment in business relationships (Jackson 1985; Dwyer et al. 1987; Håkansson 1989) and especially in channel relationships (Anderson and Weitz 1989 and 1992; Anderson and Narus 1990).

Alderson (1957) combined mutual commitment with the allocation of resources. "An allocation is made on the assumption of effective performance on the part of the person receiving the allocation" (ibid., 89). The result of a commitment is an implicit bargain: "...a commitment is arrived at in a framework of negotiation and each man helps determine the bargain he will be bound by" (ibid., 369).

The concept of commitment has been used with slightly different meanings in the marketing literature depending on the unit of analysis, whether individual or collective. I find the concept of commitment somewhat confusing. The investments and adaptations can be material, social, and psychological. Behavioural commitment includes material and mental bindings. Actors can be mentally committed to each other long before there is any material exchange. On the other hand, attitudinal commitment might never manifest itself in behaviour. Attitudinal commitments, like attitudes toward brands or advertisements, have positive or negative valence. It is an attraction or a repulsion to another actor and is therefore not observable. In contrast, behavioural commitment manifests itself in observable actions.

The distinction between behavioural and attitudinal commitment is important for the understanding of how a dynamic relationship works. Therefore, Lehtinen and Mittilä (1995) have separated the two. For example, there are many factors affecting attraction, such as the degree of behavioural commitment, and consequently, from Lehtinen and Mittilä's point of view, the two key variables – trust and commitment – suggested by Morgan and Hunt (1994) in their KMV (key mediating variable) model are not enough.

In Halinen's research (1994), attraction, trust and commitment seemed, to some extent, to develop simultaneously, not only sequentially. The temporal succession arose primarily from their different development processes over time. Attraction developed first although trust appeared to occur simultaneously. Specific trust and behavioural commitment, however, required common experiences for their development to begin. Behavioural commitment in particular required a longer period of intensive interaction.

The role of commitment in buyer-seller relationships has been discussed by Gundlach, Anchrol and Mentzer (1995), who conducted a field study using attitudinal measure (behavioural intentions). According to them: "Initial commitments are necessary for the development of social norms, but in turn social norms become a key force in sustaining and strengthening commitment over time" (ibid., 90). Concerning the importance of commitment in relationships, Morris, Brunyee and Page (1998) state: "Although a consensus has yet to emerge, the literature tends to emphasise a level of commitment that marketers in our sample do not presently appear to be making" (ibid., 368). Commitment did not occupy a significant role in the agency-client relationship studied by Halinen (1994a) either.

4.2 Attraction in the Focal Relationships

In the focal relationships, the concepts of attraction, trust and commitment are perceived differently by the respondents. Consequently, the best way of introducing the empirical materialisation of the concepts seemed to be through direct quotations. Such abstract terms as attraction and trust seemed to have many meanings among people.

Attraction in the focal relationships materialises at two levels. At the collective level, attraction is based on the potential that the other party creates. This encompasses the 'hardware' of the actors, i.e. the physical and human resources and the resources created through a relationship. Personal attraction materialises at the individual level. This finding supports Alderson's (1957) suggestion that a distinction between subjective and objective factors in attraction is pertinent.

At the individual level, the personal attractions of the actors in a relationship influence the quality of intercommunication. In the study, the supplier respondents described the realisation of personal attraction as follows:²⁴

"There are some people with whom you are not eager to chat with. Those people want to show their power by grasping inessential matters, behaving pointedly, trying to avoid paying for extra work, etc. You avoid meeting that kind of person."

"There are people with whom the relationship just does not work. There is no quarrel, however. It would be quite easy to improve relationships with people by visiting them, by just being visible. However, without a project, you don't feel comfortable visiting them. If you are not friends/work-mates, the idea of making contact does not occur to you. On the other hand, you visit some company just because you have a friend working there."

"You have known for many years that you should change. Somehow you just don't find the time to make a call. There are people you don't want to listen to because they say negative things about their own work mates. In one company, relations between departments are very inflamed. We have to work with all of them. It is rather stressful to listen to their complaints about each other. Furthermore, visiting one of the people without visiting the other also affects the relationship with the latter."

The above statements highlight the role of feelings in personal interaction. Both cognitive and affective aspects have an impact on individual behaviour in relationships.

In this study, attraction was measured with the operational concept of the willingness to take care of the existing relationship (focal relationship/card 2). It was evaluated by the respondents as depicted in Table 17. At the relationship

²⁴The respondents are not identified as it is irrelevant to know who said what.

level no significant differences occurred, while at the industry level, differences were significant ($p = 0.05$).

Attraction 1 = low; 7 = high	
Industry	mean
Avionics	5.57
Installation	6.50
Service station systems	4.93
Special systems	6.33
Total suppliers	5.61
customers	5.65
	5.56

Table 17: Perceived attraction in different industries.

In the focal relationships, the perceived degree of commitment related to the perceived attraction ($p = 0.003$). In the group of commercial respondents, the dependence was significant ($p = 0.01$). The more committed the respondents perceived themselves to be, the more ready they were to take care of the relationship. Also the perceived dependence on the other party related positively to attraction ($p = 0.028$) as well as to the perceived development of the relationship ($p = 0.000$).

4.3 Trust in the Focal Relationships

Trust played a substantial role in all the relationships except the one with SEO (C3) where its role was seen as fairly small. The perceived role of trust in the relationships (focal relationship/card 2), depicted in Table 18, had a positive connection with the perceived degree of commitment ($p = 0.000$). Also the positive connection between the perceived role of trust and attraction was significant ($p = 0.000$).

To the question of what trust is and why it is important, the customer respondents answered:

"When we order something, we get what we ordered, we get it within the delivery time and we get the quality promised. That's it."

"In our relationship, information exchanged is confidential, and therefore trust is important."

"Both in our organisation, police, as well as in the defence forces, trustworthiness is a key issue. So, on the one hand there is the general trustworthiness of the counterpart, and on the other hand there is trust in the competence of the supplier to produce unique solutions for us."

Role of trust in the relationship 1 = small role; 7 = big role	
Industry	mean
Avionics	6.71
Installation	6.67
Service station systems	6.07
Special systems	7.00
Total	6.48
suppliers	6.47
customers	6.50

Table 18: Perceived role of trust in the focal relationships.

In these answers the term trust is connected to keeping promises and being discrete as well as to the supplier's competence.

Trust is based on different elements along the course of a relationship. In the pre-relationship stage, the reputation of the other party and the references play a substantial role. In the later stages, personal experiences become important. This was expressed by the customers in the following ways :

"At the beginning of the relationship, word-of-mouth and references are the most important influences. Information is exchanged in coffee-table discussions. Furthermore, there is an organisation of instrumental men which is a good source of information. Usually, we check the background of a potential supplier."

"Trust is formed during the preliminary design phase and bidding process of the project. Additionally, we check the references given either by going to see them or discussing with the representative of the reference company on the phone."

"We collect information about a firm from our acquaintances and directly from the firms. We check the background of the firm, estimate the

risk and look at the references. Usually, in the case of a new firm we know the people involved. At the human level, the first impression about the person and their personality plays a substantial role. In the later phase, the fulfilment of agreed issues is the key. Furthermore, flexibility of the supplier is important."

"First we see whether they can be trusted to keep the promises they have given. The second issue is money: we don't want the other party to get us into trouble. We want to find out whether the supplier has the competence, the capacity and the willingness to serve us. This, together with the existence of licenses and other necessities, is found out before starting a relationship. If all this works out, some small tasks may be bought from the supplier to test the functioning in practice. If everything is alright, the volume is increased and the situation is followed. For us, references are important. Should somebody we know, for example, Swissair or SAS, not use the company, we would be alert, too."

"References, security class, people working in the firm, their competence. Economic solidity of the firm."

"One base was the reference of the Defence Forces. Additionally, the history of the company, the gradual conquering of know-how in several branches, the development steps taken by the company. In the later phase, the keeping of deliveries and agreements, together with the seamless collaboration, experience."

"Starting from the dairy shop level, gossiping with colleagues provides information about suppliers. And of course, companies have some kind of reputation spreading around."

"The acquaintance of the supplier and their ability to deliver systems that are trustworthy and qualified. Word of mouth and the offering process. In the later phase, experience."

"In the later phase of the relationship, trust is based on accomplished functions. Work is done properly, products are qualified, invoicing is right, information is accurate; it is transmitted, and documentation is well taken care of. In case of minor failures, issues are discussed with the supplier's personnel responsible for the issue. In our supplier category A, trustworthiness is expected. Usually, we trust them unless something happens to prove otherwise."

"Trust is based on openness and honesty."

"In the first place, you get acquainted with the product. Then you find out the need for the product. Also, the style of the selling person affects it. The style of a salesperson selling high tech must differ from that of one selling leather mittens. However, salesperson must be businesslike."

Drawing from the answers, it can be seen that trust must exist even before a relation is initiated. Customers evaluate the trustworthiness of potential suppliers before engaging in transactions. It may be concluded, however, that trust is a

prerequisite in business. Trust alone cannot create competitive advantage in the markets.

The supplier representatives' perceptions of the basis and the development of trust were the following:

"At the beginning there is no trust but two centimetres of paper and an A4 binder which ties the hands front and back. That means, with an unknown supplier, the contracts are very binding and sanctioned. Little by little, trust is increased by learning that the other party acts as promised."

"In our case, trust is based on our ability to manage big and multifaceted projects, on the technical issues. Of course, personal relationships affect it, too. It has happened that our employee has started a firm of their own and taken with them a customer who has known and trusted him. Workers change employers, too, but mainly because of money."

"Trust is the basis for future interaction. In this case, trust has originally been based on the personal knowledge of individuals. And I think it is still based on the same. We trust in some people's ability and willingness to take care of things."

"In this case, I think culture has been the basis. Our culture has been similar to that of our main customer, whose culture in turn is pretty similar to that of the focal customer. From our viewpoint - the customer as a member of the state government whose culture we know from experience - has not been perceived as problematic."

"The past of the potential party together with the behaviour during the first presentation of the company and its products. How the issues are brought up. Can the seller draw a convincing picture of the company's ability to produce the proper solution to a customer's problem. This is heavily dependent on the personalities of the company representatives. There are people who are technically skilled but lack ability as a public performer."

"Trust is also created by the willingness to serve, the manner of delivery. Do you get equipment for free testing, or do you have to buy it? Is the device just mailed to you or does the supplier deliver it personally, maybe helping with installation, etc. And of course the personnel of the company."

As the quotes above indicate, trust exists at two levels: the organisational (collective) and the personal (individual) as suggested by Wilson and Mummalaneni (1988). This has been also identified in the studies of Halinen (1994) and Järvinen (1998). The relationship of these two levels and their meaning in the focal relationships were described as follows:

Customers:

"I would say it is trust in the company because people's occupations change a lot today."

"Trust in the company comes first."

"In my case, the company realises itself in people. If the people from the supplier company were to leave, which is hard to imagine, I would surely test the new company as well as remaining a customer of the former company. In this case, the quality of the product would be critical."

"It may happen that we make a deal with a firm but we do not want a certain person."

"In the background there is the financial standing. The key issue is the expertise and competence of the experts. Usually, serious business companies have a 'back-up' for their key people, the expertise is seldom the property of one individual."

"Total trust is a combination of trust in the company and trust in the people."

Supplier representatives:

"Trust in the company brings the supplier the request for tender while trust in the person may bring in the deal. However, first comes trust in the company. You may act even though you don't trust some person."

"I believe that customers have a certain trust in our company. If I am new to the customer they have no opinion of me. Concerning personal trust, that is built over time by proving to be a professional or a craftsman in one's own field. The other issue is that of honesty. You cannot bluff anywhere. Once you get caught, trust is gone. The third element in our case is flexibility in delivery. We can act on short notice if necessary. Our way of acting in projects and fulfilling the customer's expectations or the mutually agreed goals create trust."

"In my case, I believe that trust is transferred to the successor in cases where an employee changes the employer. Only in cases where the successor would prove not to be worth that trust would some actions be taken. Without trust in a person, a relationship leading to trust in a company cannot be created. On the other hand, trust in a company may stabilise the non-continuous situation. However, no further trade will occur without personal trust."

"In this case, trust in the company and in the person are closely related. In the case of a sales manager leaving the firm we would stay by the firm."

"Trust in a person and trust in a company are two different issues. I can see this in our customer base. On one hand, they trust a certain individual to take care of what was promised. On the other hand, customers trust a company as a financier, as a securer of future action, and as a working operator."

"As the relationship develops, the personification of certain issues occur. In addition to company trust, personal trust between individuals emerges."

The answers verify the thoughts of Wilson and Mummalaneni (1988). In some cases, trust in the company is decisive, in others, it is trust in people. As reasons for why trust withers in relationships, the respondents mentioned such issues as promises that are not kept (for example, the supplier invoicing something that should not have been invoiced), unfinished projects, inflexible workers, quality of work, complaints or extra pay, and quality of equipment delivered for the system.

Drawing from the above, it seems that individuals of a business relationship have to interact with each other whatever the degree of personal trust. However, the degree of trust affects the manner of interacting; the effect of trust or distrust at the personal level in the focal relationships materialises in different ways. According to the customers, trust materialises as follows:

"Information acquired is not misused, things can be said straight, as they are, you don't have to be evasive."

"You don't have to write down every comma."

"In long-term business relationships [where the] information exchanged is more delicate than in the relationships in which trust is not complete."

Supplier representatives saw trust as materialising in subsequent issues:

"We get extra work in the project. Not all work is based on written contracts but verbal agreements can be made. Contacts are straight."

"Trust is realised in the ease of discussing even unpleasant issues, problems. And in getting one's own ideas accepted by the other."

"Ease in exchanging information. No need for strict written contracts. Quality of information exchanged."

"In our culture, we don't talk easily. Usually, one has to interpret things. If everything goes smoothly and parties trust each other, nothing is said. Trust is expressed in making new deals with us, or at the personal level, your opinion as a technical expert is asked."

In cases where distrust exists, operations differ from those conducted in the presence of trust. The following realisations of distrust were identified by the customer representatives:

"All agreements are written down."

"Bargaining is not renewed."

"You have to secure your back all the time, which is very hard. You need more meetings, because you just can't agree things informally."

"Among my customers, there is one person whose way of acting with everybody is such that everything must be written down, and minor conflicts still exist with him. There is only compulsory interaction between us."

"On the personal level, some person or people are not welcomed to participate in the next project."

"You can betray another only once. After that, a suspicion always exists. If you don't trust them, you don't tell them things. You can forgive once but the rebuilding of trust is difficult. If you don't trust them, awareness and control increase. Contact consists only of work-related issues. In the contracts, the sanctions are more precise, demands of delivery times get higher and flexibility on our side withers. There is no room for risk any more."

"Bad subcontractors will be controlled more intensively and changed if possible. However, there are companies that, due to the monopolistic status, ignore customers. There is an ongoing conflict about price and other issues."

"We don't trade. We concentrate our trading with a few companies which we try to check even before starting a relationship. In our branch everybody knows each other and information is spread in the network."

"In our case, it would mean ordering a product, saying where and why, and that would be it."

Supplier respondents experienced the manifestation of distrust as follows:

"Control is heavier."

"At its worst, lack of trust and lack of personal chemistry may lead to neglecting in the offering phase. You don't even get an request for tender or a chance to offer. It has happened that we have been left out in the bidding round. After making a contact at a higher level in the customer company with the person responsible for the undertaking, we could participate. In Neste, for instance, the same person may take care of the operational actions of the projects while people responsible for the undertakings change all the time. It may even take ten years before another investment on a certain area is made."

"Even in the cases where things should be okay, they do not work."

"No contact. Bad word of mouth. You may hear from a third party that somebody has been dissatisfied. I don't know whether this is trust or distrust."

The degree of trust seems to have influence on manners of delivering information, the quantity and quality of agreements and, at its extreme, the quantity of trade in relationships.

Attraction and trust as social resources

In the focal relationships, image seemed to be a social resource that creates attraction in the parties. It is influenced by the physical appearance of the object, experiences with the object and the reputation of the object. The reputation is based on the experiences of other actors with the object. Image in the focal relationships encompasses the elements of the 'hardware', the trustworthiness and the reputation discussed above.

Concerning the company image and the relation between trust in the organisation and in the person, I quote the managing director of the supplier company. He stated:

The background of the top management makes the difference in creating the image of the company. If the top manager is not known as a person one can trust, one surely cannot trust the company. Thus, trust in the person comes first in the creating phase of the business relationship with a firm. In further phases, the exit of a key person seldom leads to the exit of a customer. Customers usually wait to see the supplier re-organise things. It usually takes a longer period for the customer to decide whether to stay or leave. In situations where a key person leaves the company, both that person and the representatives of the company tend to inform the customer who, based on these pieces of information, forms a picture of what has happened.

In their article, Ring and Van de Ven (1994: 96) suggest that "even though individuals may rely on trust in their 'qua persona' relationships, they may be unable to do so when acting as agents for their organisations". This was explicitly verified by the respondents of the relationship with Neste (B3).

4.4 Commitment in the Focal Relationships

Commitment in the focal relationships seems to materialise at three levels. For one, respondents mentioned the concrete commitment of the organisation which occurs through the product. This issue is discussed in the next section. Mental commitment was to be very individual; the respondents as private people can be committed to other people if their personal relationship is at a friend level. Third, individuals may be committed to the relationships as role persons. In these cases, personal feelings are put aside to favour the goals of the employer. In the relationship with SEO (C3), the role of the personal commitment has a dominant effect on the role commitment and, through that, on the organisational commitment.

In most of the relationships the respondents considered their organisation to be fairly committed to the counterpart. The perceptions of the degree of commitment (focal relationship/card 2), depicted in Table 19, did not differ from

each other in the focal relationships and in the focal industries. However, within the service (petrol) station systems the perceived degree of commitment varied heavily. In the relationship with SEO (C3) the mean of the perceptions was 1.5. Also, in the Special Systems Division, the perceived degree of commitment was low in the relationship with Merita (D2) where the mean was 2.5.

The perceived degree of commitment has a positive connection with the perceived role of trust ($p = 0.000$). It is also positively related to attraction ($p = 0.003$).

Degree of commitment 1= no commitment 7= growing / high	
Industry	mean
Avionics	5.57
Installation	5.83
Service station systems	4.79
Special systems	4.50
Total	5.09
suppliers	5.06
customers	5.13

Table 19: Perceived degree of commitment in the focal relationships.

4.5 Relationship Among Attraction, Trust, Commitment and Dependence

At the level of the perceived degree of commitment, any significant relation between the perceived attraction and the perceived importance of trust was not detected. At the level of the perceived role of trust, in the category where its importance was ranked 6 (on a scale of 1-7 with 10 units of observation), there was a significant positive connection between the perceived commitment and attraction ($p = 0.01$). In category 7 (21 units of observation), no significant relation was found ($p = 0.167$). At the level of attraction, no significant connection was found between the role of trust and the degree of commitment.

The perceived dependence on the other party is related to the above issues. Some examples of dependence that were given in the interviews are presented here. In the relationship with Kyro (B1), the parties do not perceive any dependence on each other. This is due to the competition in the market; there are

three giant corporations in the Finnish forest industry. Despite the lack of perceived dependence, the supplier admits that one foot would be lost if this relationship was lost because 99 % of the supplier's trade is domestic.

In the relationship with Police School (D1) the supplier does not consider itself dependent on the customer because the financial effect of the relationship on the business is not great. However, the importance of this customer lies in its reference power and in the development potential of technical competence through the project. The customer considers itself dependent on the supplier due to the holistic nature of the delivery. Should the relationship break up, considerable efforts would be exerted to make the second and third phase of the project match the first part delivered by the supplier.

In the relationships with Merita (D2) and OKO (D3), the supplier's perception is that, with respect to revenue, there is no dependence on the customers. On the other hand, they have potential – they may implement new equipment or a new service for their customers, and then there may be something for the supplier, too. The representative of Merita states:

"Actually, we are not dependent. In some time frame, another supplier will be found. In some equipment there are many competitors with the supplier, mainly foreign. The supplier has the competence, the know-how that is valuable to us."

The statement of the representative of OKO is:

"We are not dependent on Insta (the supplier) outside the fact that our system, which is common to all banks, ties us to the supplier to some extent."

The respondents also evaluated their dependence on the other party by using the quantitative scale. In the individual evaluations there were no significant connections with the relationship or the industry. Neither were the differences significant in the evaluations of the representatives of the supplier and the customers. Also, the responsibility of the respondent or their occupation was not significantly related to the perception of the dependence.

The perceived dependence on the other party (focal relationship/card 2) had a connection with the issues of attraction, the role of trust in the relationship, and the degree of commitment. The result of the cross-tabulation of the dependence on the other party and attraction is presented in Table 20. The relation between the variables was significant ($p = 0.028$).

Dependence on the other party		Attraction						
		low						
		1	2	3	4	5	6	high 7
not dependent	1	1		1	1			
	2				2		5	
	3					2	1	2
	4				1		2	1
	5						4	3
	6					3	1	1
very dependent	7						1	1

N = 33

Table 20: Cross-tabulated perceptions of attraction and the degree of dependence.

Also, the connection between the role of trust and the dependence on the other party was significant ($p = 0.019$). The evaluations are presented in Table 21.

Dependence on the other party		Role of trust in the relationship						
		small						
		1	2	3	4	5	6	big 7
not dependent	1		1			1	1	
	2							7
	3						2	3
	4						3	1
	5						3	4
	6							5
very dependent	7						1	1

N = 33

Table 21: Cross-tabulated perceptions of the role of trust in the relationship and the degree of dependence.

The perceptions of the connection between the perceived dependence on the other party and the perceived degree of commitment in the focal relationships ($p = 0.009$) are presented in Table 22.

Dependence on the other party		Degree of commitment						
		no commitment					increasing/ high commitment	
		1	2	3	4	5	6	7
not dependent	1	1	1		1			
	2				4		3	
	3					3	2	
	4	1					3	
	5						5	2
	6				2	2		1
very dependent	7						2	

N = 33

Table 22: Cross-tabulated perceptions of the degree of commitment and the degree of dependence.

In the markets, at the company level, actors perceive themselves as having a general dependence on some other actor, in other words as having a need for exchange which makes the potential parties of exchange seem attractive. After the choice and establishment of a relationship, experiences it provides affect the development of trust and commitment which, in turn, affect further attraction. In the study, the perceived development of the relationship also had a positive connection to perceived attraction.

4.6 Conclusions

The empirical data was analysed with the ATC model (attraction, trust, commitment) of Halinen (1994). *Attraction* and *trust* seemed to be two-level constructs existing *at the collective and individual levels*. Commitment seemed to be a three-level construct. Collective commitment refers to the *organisational commitment*, while at the individual level, commitment materialises as *role commitment* where personal feelings are put aside to favour the goals of the employer and as *personal commitment* to people.

The analysis revealed that the theoretical concepts of attraction, trust and commitment do not materialise in a uniform way. Respondents give different meanings to the terms. To me, it seems that it is not possible to find unambiguous meanings or definitions for the terms of attraction, trust and commitment. Consequently, we can only talk about perceived attraction, perceived trust and perceived commitment. We have to interpret the results starting from this perception.

According to the analysis, attraction seemed to be affected by the perceived dependence on the other party, by the perceived commitment and by the perceived development of the focal relationship. Furthermore, perceived attraction, trust and commitment are positively connected to each other. A variable connected to all the concepts is dependence. The degree of perceived dependence seemed to have connections with the perceived attraction (in other words, the interest or willingness to care for the relationship), the perceived degree of commitment to the relationship, and the perceived role of trust.

From the above, it may be concluded that *dependence* is a variable which *explains the role of attraction, trust, and commitment* in a relationship. Thus, organisational dependence, as addressed by Pfeffer and Salancik (1978) may also affect the social aspects of a relationship. *People may have to operate in business relationships whatever the degree of personal attraction or trust.* Furthermore, they have to commit to their occupational roles. On the basis of the study, it can be concluded that *quality and quantity of intercommunication* in business relationships *is affected by the individual (subjective) level aspects* addressed with the ATC model.

Interpreted as mental (psychological) constructs, the concepts of the ATC model correspond to the concept of atmosphere in Håkansson's (1982) interaction model. Atmosphere is created by the individuals that participate in relationships. The levels of individual attraction, trust and commitment affect the collective atmosphere in business relations. Atmosphere, in return, affects the activities conducted by the relationship parties.

5 REGULATIONS/INSTITUTIONS, COLLABORATION AND COMPETITION IN RELATIONSHIPS

5.1 Marketing Equilibrium Model

In the literature on the relationship marketing approach, Gummesson (1999) introduced a model of Marketing Equilibrium that is the marketing management correspondence to market equilibrium, the traditional concept of neo-classical economics. Complete marketing equilibrium consists of two partial market equilibria: external and internal, referring to the boundaries of an organisational actor. As relationships have been considered as virtual organisations the model is also applicable for relationships, especially for those with a many-headed supplier and a many-headed customer.

According to Gummesson (1999: 226), the market and the company are governed by the same three mechanisms: competition, collaboration, and regulations/institutions. The content and extent of these forces may vary between markets and companies, between companies, and within markets. Furthermore, each specific marketing situation struggles to reach its own particular marketing equilibrium.

The functionalist approach tries to understand how competition of the prevailing type can contribute to the effective operation of behaviour systems. According to Alderson (1957), the unending search for differentiation keeps competition dynamic. Recently, Hunt and Morgan (1995) have introduced a comparative advantage theory of competition. Their comparison of the foundations of the neo-classical and comparative advantage theories of competition is presented in Table 23.

Hunt and Morgan (1995) have identified the contemporary complexity of the foundations of competition and the multiplicity of factors affecting it. Due to the change in competition, companies today have to contemplate a total adjustment of their existence to the competitive situation, while in earlier days, the adjustment of production quantities was enough to settle the pressures that competition created. Also inter-organisational relationships have to adjust to the competitive situation in markets. This was identified in the analysis with the ARA model in Chapter 3.

Global competition is not new; it has existed for thousands of years. Since the industrial era, for example, the telecom equipment, car and paper industries have been operating in global markets. What is new is that more products and services are now exposed to global competition. In hyper-competition (D'Aveni 1994), the ability to continuously change and manoeuvre in turbulent and unstable conditions is the only way to survive. The size of the units that compete against

each other has increased and in global competition, smaller units collaborate to compete as larger units. Different levels of competition, such as the individual, organisational, national, international, and global can be identified in the markets. An example of expansion of competition is the creation of the European Union to gain a better competitive position against NAFTA (North American Free Trade Agreement) and Asian countries.

	Neoclassical Theory	Comparative Advantage Theory
Demand	Homogeneous within industries	Heterogeneous within industries
Consumer information	Perfect and costless	Imperfect and costly
Human motivation	Self-interest maximization	Constrained self-interest
Firm's objectives	Profit maximization	Superior financial performance
Firm's information	Perfect and costless	Imperfect and costly
Resources	Capital, labour, land	Financial, physical, legal, human, organisational, informational, relational
Resource characteristics	Homogeneous, perfectly mobile	Heterogeneous, imperfectly mobile
Role of management	Determine quantity and implement production function	Recognise, understand, create, select, implement, and modify strategies
Role of environment	Totally determines conduct and performance	Influences conduct and performance
Competition	Quantity adjustment	Comparative adjustment

Table 23: Foundations of the neo-classical and comparative advantage theories of competition. (Source: Hunt and Morgan 1995)

Traditional marketing management literature usually deals with competition (e.g. Mickwitz 1959; Porter 1980, 1985). Alderson (1957) identified local and national competition, geographical and technological competition, and multilevel competition, in addition to product and price competition. Porter (1990) addresses the competitive advantage of nations. In some instances, for example in the public sector in Finland and the EU, competitive bidding is demanded, by law and by the directives, especially when government agencies purchase goods and services.

In business relationships, competitive bidding is everyday praxis in many companies (see e.g. Alajoutsijärvi 1996). In her study, Tikkanen (1994) discusses environmental factors that affect firms' competitive strategies. She identifies industry competition where the driving forces have an impact on the rivalry between competitors, strategic groups in an industry where there are groups of competitors with similar strategies, and the industry life cycle where there are different competitive strategies in different stages of the life cycle (ibid., 22). According to Porter (1980: 3-5), the structure of the industry has an effect in determining the rules of the game the actors play. The state of competition in an industry depends on the threat of new entrants, the bargaining power of buyers

and suppliers, the threat of substitute products (goods or services), and the rivalry between existing firms.

The growth of competitive units has compelled companies and organisations to change their modes of function. Mergers and acquisitions have increased on the one hand, while on the other, outsourcing and collaboration between small business units has increased, too. As a result both competition and *collaboration*²⁵ may exist simultaneously in a focal relationship.

In the functionalist approach Alderson (1957) introduced the concept of closure. According to him, closure is needed for efficient routine. He states:

Within a closed system it is possible to work out and adopt efficient routines for handling these processes. If a system is made up of independent units the established routines emerge more gradually from trade negotiation and the general adoption of the procedures which seem to work best (*ibid.*, 117).

This sentence implicitly includes the idea of collaboration. Alderson also addresses co-operation in marketing channels. According to him, "there can be no question that the primary interest of the seller lies in co-operating with others in the same marketing channel to maximise the sales and profits which can be divided among all participants" (*ibid.*, 128).

The importance of collaborative behaviour in long-term relationships has been emphasised in marketing research since the late 1980s (e.g. Möller and Wilson 1995). Both the interaction approach and the relationship marketing approach focus on co-operation (e.g. Gray 1989). Co-operation can be defined as similar or complementary coordinated activities performed by firms in a business relationship to produce a superior mutual outcome or singular outcomes with expected reciprocity over time (Anderson and Narus 1990).

According to previous studies, organisations are turning from discrete exchanges toward long-term, collaborative exchanges with fewer suppliers than earlier (Spekman 1988; Nowak, Boughton and Pereira 1997). Furthermore, strategic alliances are today a fact of corporate life. Companies are forming partnerships at an ever increasing rate for reasons ranging from vertical disintegration to shrinking product life cycles. Furthermore, there are growing capital investments requirements. Companies also want to increase competitiveness through organisational learning.

Brandenburger and Nalebuff (1996) have introduced the term 'co-opetition' which involves a combination of collaboration and competition between competitors in the same relationship (see also Bengtsson and Kock 1997). For example, in the newest alliance between airline corporations there is price competition between the parties but they collaborate to better serve customers globally.

Concerning competition and collaboration, Wilkinson and Young (1994) have identified four types of inter-firm relationships. There are relations with low co-

²⁵ In this study, the concepts of collaboration and co-operation are used as synonyms because of different theoretical sources.

operation and low competition; low collaboration and high competition, high co-operation and high competition, low competition and high collaboration. According to the authors,

many types of relations emerge in business reflecting the different types of coordinated action required, from the routine mechanical relationships for standard items to strongly coordinated relationships involving co-developed resources, technology, products and services (*ibid.*, 91).

In her study, Jap (1999) identified differences in suppliers' and buyers' attraction towards engaging in collaboration in a dynamic context. She anticipates that environmental uncertainty motivates suppliers to form close relationships with buyers because it enables the suppliers to obtain valuable downstream information that can aid in demand forecasting and provides a means by which they can cope better with environmental demands. Conversely, because buyers do not rely on suppliers for downstream demand information, they may view coordination efforts with suppliers as a step toward commitments that may bind them to a specific course of action and subsequent investments. Thus, coordination efforts may be viewed as inhibiting a buyer's flexibility and ability to be responsive to changes in environmental demands.

The third force of marketing equilibrium, *regulations/institutions* refer to both the environmental factors and internal factors that affect business relationships. Regulations are both formal delimitations of the relations created through legislation and informal cultural codes of conduct. Institutions are either formal authorities whose task is to ensure that regulations are enforced, or informal authorities such as established relationships or religion which enforce a certain behaviour. Within the network context, Salmi (1995: 20) defined institutions as the 'rules of game' in the network. According to her, institutional rules are commonly accepted, taken for granted, and persistent in nature, despite their formality or informality. Institutions define the 'appropriate' structure and processes of the focal unit. The rules or norms evolve through interaction of all actors and thus no individual actor is able to change them alone.

The relationship between society and business has been an issue since the early days of merchant trades (Sheth, Gardner and Garrett 1988). Society acts as a watchdog through legislation and regulation to ensure that the marketing processes will serve the public interest. On the other hand, the marketer, through political action committees and public opinion, wants to ensure that the government does not abuse its authority.

Within business relationships, actors create and build norms and contracts. Halinen (1994: 326) defines norms as the patterns and expectations of behaviour that become established in coordination processes. Relationships become institutionalised through the evolution of norms. The findings of Macaulay (1963) indicate that businessmen seldom use legal sanctions to adjust exchange relationships or to settle disputes. However, transactions are planned and sealed with contracts and legal sanctions when the benefits of using a contract outweigh its costs. According to Macaulay (1963: 56), a contract involves two distinct

elements: a rational planning of the provision for as many future contingencies as can be foreseen, and the existence or use of actual or potential legal sanctions to induce performance of the exchange or to compensate for non-performance.

Marketing equilibrium is a synthesis of regulations/institutions, collaboration and competition (Gummesson 1999). The existence of these forces in the focal relationships will be discussed next.

5.2 Regulations and Institutions in the Focal Relationships

In all the focal relationships the organisational actors are institutionalised, in the sense of having certain regulations for operating with other actors in the markets. Different regulations set boundaries for activities, limiting or enhancing collaboration and competition in the relationships. Operational elements of the Marketing Equilibrium model identified in this study are presented in Table 24.

Regulations, Collaboration and Competition in Focal Relationships		
Regulations/ Instructions Laws Licensies Manuals Quality systems Industry norms Company regulations Acquisition instructions Technical specifications Environmental norms	Collaboration Manuals lending Equipment lending Contractual symbiosis Technical consultation Industry consultation Joint education Product development Maintaining work bases Operations in projects Joint marketing efforts Personal cooperation	Competition Competing offerings Competing powers of influence Intra-organisational competition

Table 24: Regulations, collaborative and competitive activities in the focal relationships.

In the relationships with APS (A2) and NBI (A3) the customers are institutions in themselves. Furthermore, all the business in the relationships is dependent on other institutions of the state; laws are important regulators of the activities. The respondents' evaluations (focal relationship/card 1) of the impact of legislation in different industries are presented in Table 25.

Legislation 1 = no impact 5 = critical impact	
Industry	mean
Avionics	3.71
Installation	2.67
Service station systems	2.57
Special systems	2.50
Total suppliers	2.82
customers	2.81

Evaluations of the impact of legislation on focal relationships		
Perceived impact	Evaluator	
	supplier	customer
no impact	5	1
minor impact	4	6
moderate impact		5
major impact	5	3
critical impact	3	1
	N=17	N=16

Table 25: Perceived impact of legislation on the focal relationships in different industries.

In the avionics industry, which is highly regulated, licenses and manuals set boundaries for the service of the supplier party. Thus, customers can be served only if the supplier is authorised to handle certain activities. In the installation industry, different kinds of security regulations play a part in the focal relationships. Additionally, as in the relationship with Neste (B3), the customer ensures that the official fees and duties to the state are paid by the supplier. In the oil industry, the laws and regulations also affect the ways of acting so that, for example, SEO (C3) has to buy fuel from a Finnish company, Neste, while the other focal customers are allowed to import the fuel.

The parties in special systems perceived the smallest impact of legislation on the focal relationship. In the bank relationships, information security has its strict regulations and that is why the relationships actually exist. Also, the relationship with Police School (D1) is totally dependent on regulations and institutions.

In the evaluations concerning legislation, there was a relation between the relationship party and the perception of the impact on the focal relationship ($p = 0.049$) at the respondent level. Also, the higher degree of commitment and the higher impact of legislation were related ($p = 0.042$), while there was no significant relation between the perceived dependence on the other party and the perceived impact of legislation.

In addition to governmental regulations, the focal relationships are regulated through acquisition instructions and quality standards, among others. In the big companies such as Neste, Esso and Teboil, acquisition regulations compel the units to send invitations of tender to more than one potential supplier. In the public sector there are standard instructions for acquisitions.

The relationship parties also create regulations and instructions with different contracts and agreements. Written agreements or contracts existed in every focal relationship with financial exchange (i.e. SEO excluded). In the relationship with

Finnair (A1) there is a general agreement, while in the relationship with Esso (C1) a service contract of four years is agreed upon. In other relationships, every transaction is documented by a written contract in which the rights and responsibilities of both parties are settled.

Other kinds of regulations are quality systems and standards. Discussed separately earlier, today they have become, to a large extent, institutionalised. They may be industry specific like in avionics, actor specific like in service (petrol) station systems, or relationship specific such as in the relationship with Neste (B3) where the customer requires, instead of a holistic system, certain elements of a quality system to be in order. Furthermore, in the projects and other deals, technical specifications and drawings serve as instructions for activities in the focal relationships.

5.3 Collaboration in the Focal Relationships

All the focal relationships with financial exchange (i.e. SEO excluded) were collaborative to some extent. In avionics, the lending of manuals, contractual symbiosis (such as in the case of the supplier division and Finnish Air Forces), and technical and industry consultation are operational forms of collaboration. Also, the personnel of the above relationship and the parties of the relationship with NBI (A3) have undergone professional education together.

In the installation industry, collaboration manifests itself in the supplier's bases on the customers' premises, the lending of tools and equipment to each other, and the different projects. In projects, collaboration usually also involves parties other than those in the focal relationships. On the construction premises, competitors collaborate to ensure that the projects will be ready on time and avoid losses.

In the service (petrol) station systems, collaboration is needed to maintain and develop the technical systems that also bind different actors to collaboration. In the relationships with Esso (C1) and Teboil (C2), collaboration is needed in developing the software. In the relationship with Esso, contractual collaboration concerning the maintenance of the dispensers and payment terminals also exists. Furthermore, the parties collaborate in marketing the supplier's goods and services to the customer's organisation. In the relationship with Teboil (C2), the lack of collaboration at the commercial level seems to have a negative impact on the relationship. In both the above relationships, intra-organisational collaboration is extremely important; failures immediately influence the inter-organisational relationships. In the relationship with SEO (C3), collaboration between the parties seems to be essential for the supplier's trade with the service station owners of the cooperative. Because collaboration between the supplier and the customer does not work, trade with the buying customers is difficult due to the customer's reference power.

In the focal relationships of the Special Systems Division, collaboration materialises differently. In the relationship with Police School (D1), collaboration

is direct. There has been a mutual product development project, and in the implementation and training phases of the current project the parties have worked together. In the two other relationships, collaboration exists through the joint development project of the supplier company and the Finnish banks. This may be called network collaboration.

It might be hypothesised that the degree of collaboration in the relationships is dependent on the degree of mutual dependence between the relationship parties. The more dependent the parties are on each other, the more collaborative the relationships are. In this study, the respondents assessed (focal relationship/ card 2) how dependent their organisation is on the other party. The assessments are presented in Table 26. In avionics the mean was the lowest. This may be due to the fact that in the relationship with APS (A2) the regulations set boundaries on the relationship. The investments the supplier party had to make to better serve the customer were too high to attract the supplier. In the relationship with NBI (A3) the exchanged products are, for the time being, mainly goods which do not require tailoring or any kind of operational collaboration.

Dependence on the other party 1 = not dependent 7 = very dependent	
Industry	mean
Avionics	3.14
Installation	4.50
Service station systems	4.07
Special systems	3.50
Total	3.85
suppliers	3.65
customers	4.06

Table 26: Perceptions of the party's dependence on the other party in the focal industries.

The mean of dependence is the highest in the Installation Division. There, all the products are single projects in which the physical outcome requires the inputs of both parties. In addition, the structure of the industry affects the mutual dependence of the relationship parties.

In special systems and service (petrol) station systems, the availability of substitute goods and services seems to affect the perceived degree of dependence. The role of maintenance creates a higher dependence between the parties in the

Service (Petrol) Station Systems Division than in the relationships of the Special Systems Division.

According to the interviews, the relationship between the perceived dependence and the degree of collaboration did not seem to be in line. The differences in the quantity and quality of collaboration are affected not only by the perceived dependence, but also by factors outside focal relationships which affect dependence as well. Former contracts, organisational changes, and changes in legislation are such factors.

Collaboration in the focal relationships is realised in different activities. At the organisational level, operational collaboration exists when the core product requires it. It includes the lending of manuals and equipment in the relationship with Finnair (A1), frequent work flows in the relationships with Finnair (A1), APS (A2), Esso (C1) and Teboil (C2), maintenance of work bases on Kyro's (B1) and Neste's (B3) premises, and implementation of projects in the relationships with Tako (B2) and Police School (D1). Commercial (marketing and purchasing) collaboration materialises in contracts, mutual commercial negotiations, joint marketing efforts with, for example, Finnair (A1), and in activities parties conduct on behalf of the other party to enhance their mutual trade as in the relationships with Esso (C1) and Police School (D1). Technical collaboration encompasses product development (in most relationships), joint technical education in the relationship with NBI (A3), consultation, etc. At the individual level, collaboration occurs in personal professional consultation, in joint professional activities such as the development of general education in the industry, and in social activities.

5.4 Competition in the Focal Relationships

The role of competition was mainly found to be outside the focal relationships. Only in the relationship with Neste (B3) do the parties have the possibility of competing for a project. In the relationship with SEO (C3), competition between the supplier and the customer within the holistic relationship materialises in negative word-of-mouth information. The parties compete for influence and power over the buying customers. In the other cases the parties are not in situations in which they would have to compete against each other.

Intra-organisational competition may, however, affect the focal relationship, especially in those cases where the responsibility of the relationship rests on many people, as in the relationships with Esso (C1) and Teboil (C2). Naturally, intra-organisational competition for resources affects the business in the focal relationships.

Transactional competition exists in all the case industries. The respondents assessed the competition's role by evaluating (focal relationship/card 1) the impact of the competitors' activities on the focal relationship. The assessments are presented in Table 27. At the industry level, significant differences were detected. In all the industries, the perceived impact is moderate.

Competitors' activities 1 = no impact 5 = critical impact	
Industry	mean
Avionics	3.00
Installation	3.17
Service station systems	3.21
Special systems	2.50
Total suppliers	3.03
customers	3.00

Evaluations of the impact of competitors' activities on the focal relationship			
Perceived impact	Evaluator's occupation		
	commercial	technical	managerial
no impact		1	
minor impact		7	
moderate impact	5	3	7
major impact	3	3	4
critical impact			
	N = 8	N = 14	N = 11

Table 27: Perceptions of the impact of competitors' activities on the focal relationship.

In the evaluations of the impact of competitors' activities, some indicative dependence existed between the respondents' degree of responsibility and their evaluation ($p = 0.09$). The relation between the evaluators' occupation and their perceptions was significant ($p = 0.024$).

5.5 Conclusions

The empirical data was analysed using the Marketing Equilibrium model of Gummeson (1999), with the concepts of regulations/institutions, collaboration and competition. In the study, legislation had at least a moderate impact on the relationships in all the focal industries. Furthermore, regulations and instructions of organisations and companies, such as quality systems and acquisition instructions, also affected the relationships.

Collaboration is in many cases regulated from outside the focal relationship. The overall economic situation, organisational changes, and changes in the industry, among others, form collaboration in relationships. And naturally, endogenous collaboration exists when the parties voluntarily engage in collaboration.

As became evident in this study, the role of competition appears mainly in market competition and in intra-organisational competition where the needs and goals of relationship parties compete with the needs and wants of other collective or individual actors. In the market, relationship parties may be competing for the same deal, but it is more common that companies compete in markets in one sector and collaborate in another. This shows that the concept of 'co-opetition' is relevant in the theoretical discussion. The focal relationships could not be classified into Wilkinson and Young's (1994) categories because relationships may be collaborative even though competition for a single deal is heavy.

Complete marketing equilibrium consist of two partial market equilibria: external and internal, referring to the boundaries of an organisational actor (Gummesson 1999). The model proved to be pertinent also in studying inter-organisational relationships. It highlights the role of different kinds of *relationship context*: an organisation's *external context* as well as its *internal context*, which again is an external context of a 'lower' level intra-organisational relationship between or among divisions, or an inter-organisational relationship.

6 CONTEXTUALITY, EVALUATION, AND BARGAINING IN RELATION- SHIPS

6.1 Synthesis

Following the literature review, three models of relationship research era were selected to analyse the empirical evidence of the study. The selected models were anticipated to focus on different aspects of business and relationships.

ARA model

The first analysis was conducted with the ARA model (actors, resources, activities) of the IMP Group. It was suitable for describing actors and resources, and the configurations that give rise to different relationship structures and processes. The role of context was first identified when dividing resources into party-specific resources and resources that parties create by engaging in relationships. The analysis resulted in the *three categories of resources*: supplier's resources, customer's resources and relational resources (see Table 4).

Interaction in relationships materialises in the activities that relationship parties conduct both in their own organisations and between relationships. As a result of the analysis, three activity categories were created and were labelled *relationship-related marketing activities* and *relationship-related operational activities* (see Tables 13 and 14). Marketing activities are in connection with trading and social issues while operational level activities lead to physical outcomes in a relationship. Both kinds of activities were further divided into categories of *supplier activities*, *customer activities*, and *mutual activities*. Activities such as bargaining, negotiations, customer and supplier evaluations, post episode evaluations, market monitoring, and monitoring of technology were common relationship-related marketing activities. In relationship-related operational activities, evaluation of delivery times, costs and trading potency, quality and economic control were present, together with conflict solving, negotiations and information exchange. On the basis of the analysis it can be argued that *evaluation* and *bargaining* among parties, in addition to the relationship *context*, have a considerable role in business interaction. Further elaboration on those issues remains to be done in this study.

ATC model

The second analysis used the ATC model (attraction, trust, commitment) based on work by Halinen (1994). The concepts of the model materialised for the respondents in various ways.

Attraction, trust and commitment exist at a collective and at an individual level. At the collective level attraction is based on the business potential that the other party creates. Perceived personal attraction affects the quantity and quality of intercommunication among people at the individual level.

Trust is based on different elements along the path of a relationship. In the pre-relationship stage, the reputation of the other party and their references play a substantial role, as do the impressions that parties get from contact with a potential trading partner. In later stages, personal experiences become decisive. As indicated in the case study, in business relationships *people may have to communicate with each other whatever the degree of personal trust*.

In the study, commitment materialised at three levels. There is *organisational commitment* to projects, individuals' *role commitments* to organisations and relationships and their *personal commitments* to people.

Perceived attraction, trust and commitment were positively connected to each other in the study. A variable connected to all the concepts was dependence. The degree of *perceived dependence had connections with perceived attraction, perceived degree of commitment to a relationship and perceived role of trust*.

Marketing Equilibrium Model

The findings from the data analysis using the Marketing Equilibrium model (Gummesson 1999) verify the role of factors 'outside' of relationships. Legislation has at least a moderate impact on relationships. Laws, license directives, environmental and industry norms are examples of contextual factors in business relationships. Regulations and instructions of organisations and companies, such as quality systems and acquisition instructions, also affect relationships.

In many of the focal relationships, collaboration is dictated by the overall economic situation, organisational and industry changes, etc. Collaborative activities, such as lending of manuals and equipment, technical and industry consultation, product development, joint education, etc., were identified in this study.

Competition exists at state, industry, intra-organisational, and inter-organisational (intra-relational) levels. In Parliament, different public instances compete for funds from the state budget, which sets economic boundaries on trade relationships where the other party is a public organisation. Transactional competition exists in all the focal industries. Customer companies usually let suppliers compete for projects and single deals are outcomes of bargaining processes. In one of the relationships, the parties compete for the same projects.

Intra-organisational competition for resources affects the resources directed to focal relationships. *Budgets, as well as other constraints and allowances that, to a large extent, regulate economic exchange in business relationships are outcomes of evaluation and bargaining among competitive parties.*

Synthesis

The selected models were anticipated to address different aspects in business relationships. The concepts of the models turned out to be connected to each other as depicted in Figure 8 where three additional concepts – identified as being pertinent in studying relationships – are also presented.

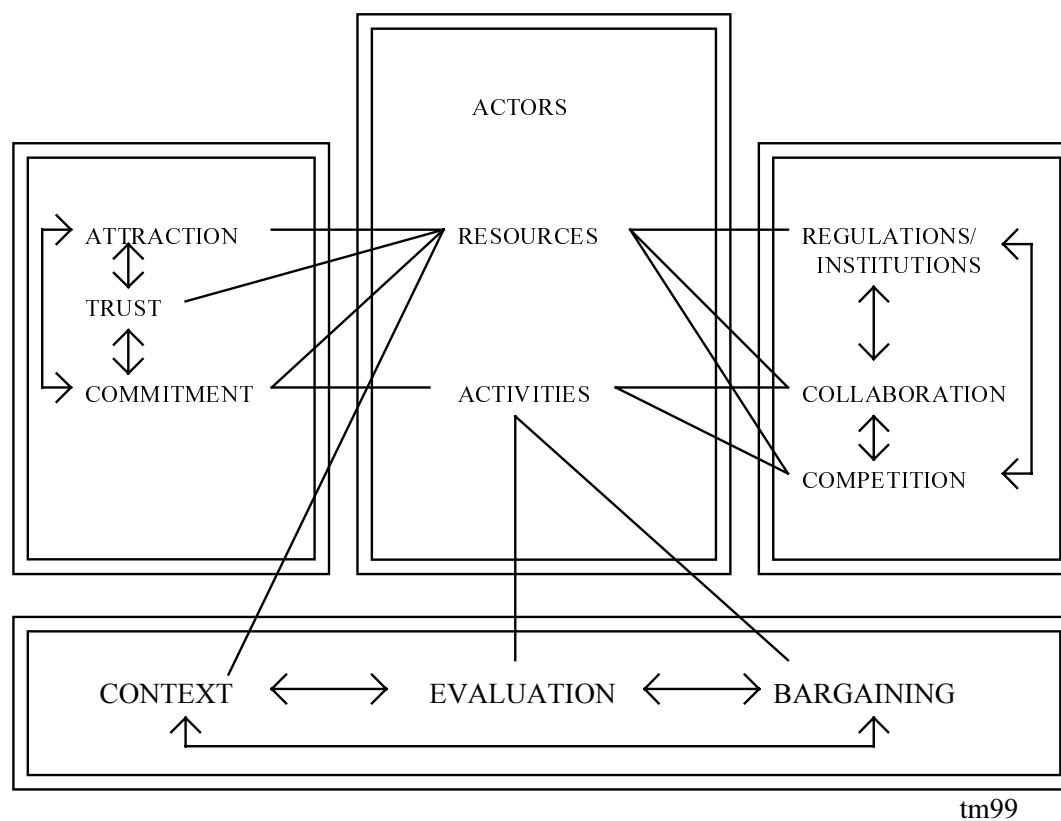


Figure 8: The relations among the models of the study.

On the basis of the study, the concepts of attraction and trust could be seen as sub-concepts of resources or activities while the concept of commitment could be seen as a sub-concept of activities or, on the other hand, as a sub-concept of resources.

Regulations/institutions could be considered as sub-concepts of resources while collaboration and competition could be seen as sub-concepts of activities. Collaboration and competition could also be classified as sub-concepts of

resources while regulations and institutions could be sub-concepts of activities. Furthermore, it can be argued that the concepts of actors and activities sometimes overlap with the concept of resources. Actors and their activities may sometimes be considered as resources in relationships.

As recognised in the analysis, three additional concepts may help us to understand business relations. Of these concepts, context is a sub-concept of resources, and evaluation and bargaining are seen as sub-concepts of activities. So far, the three primary models have been discussed. A new conceptual model will be discussed next.

6.2 Relation Trine Model

As a result of the primary data analysis using the three aforementioned models, a Relation Trine model is presented in this study. It recognises a relationship as a synthesis of context, evaluation and bargaining. Each concept of the model will be further developed and the models of contextuality, multidimensional evaluation and collective bargaining in business relations will be introduced. In addition, a commercial bargaining process will be presented.

In the focal relationships, some similarities were identified despite differences in the products exchanged or in the structure of the relationship. First, the context in which relationships occur is essential in dictating their development. Second, the parties continuously monitor the context, control the activities, and assess the present state of the other party, the relationship and/or the activities and resources. Furthermore, assessing potential new partners takes place when necessary. Third, the first analysis of the case data revealed that mutual activities in the supplier-customer relations to a large extent include different kinds of negotiations, while the actor specific activities of the relation parties involve different control, monitoring, and assessments.

Within the IMP approach, the above issues are fairly little addressed in current studies of buyer-seller relationships, with the exception of the issue of context. Within the Relationship Marketing approach, and concerning relationship quality, evaluation has been discussed by Holmlund (1997) and Järvelin (forthcoming). Bargaining has been discussed in the research on marketing channels (e.g. Dwyer and Orville 1981; Ganesan 1993). Negotiations and joint evaluations of a relationship's parties fall under the concept of interaction which, however, also comprises other dimensions. The concept of *intercommunication* is adopted in this study to emphasise the human aspect of the above issues. Intercommunication is defined as verbal interaction between or among people, even though human communication also involves non-verbal elements.

Relationship parties intercommunicate when they move towards goals; they assess, value, measure and estimate their own actions and choices as well as the actions and choices of other actors. Thus, the concepts of *evaluation* and *bargaining* become essential in trying to understand supplier-customer relationships. Furthermore, other activities of the focal actors in a relationship

affect the mutual interaction, together with the regulations that set boundaries on the activities conducted in a relationship. Thus, the *context* in which a relationship exists also plays a substantial role. In the dynamic process of business all these three elements continuously interact with each other. To visualise this dynamic process, a model labelled Relation Trine is introduced below. I have given the model this name for the three elements that, in this study, were present in every focal relationship.

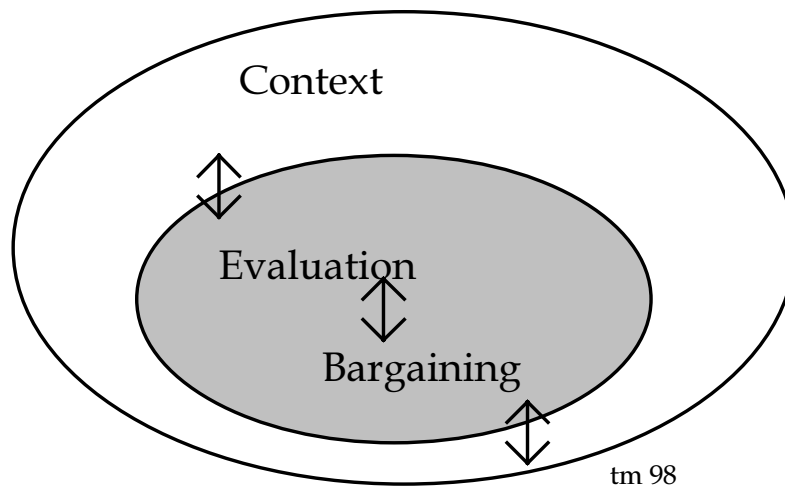


Figure 9: Relation Trine.

Following the logic of the development of a relationship, the concepts of the model will be discussed next, starting from the context, moving on to evaluation, and finally to bargaining.

6.3 Context

6.3.1 Contextuality

In the current relationship and interaction literature, contextuality has been the concern of many writers (e.g. Achrol, Reve and Stern 1983; Granovetter 1985; Hallén and Johanson 1985; Achrol 1991; Anderson et al.. 1994; Michell and Sanders 1995; Möller and Wilson 1995; Alajoutsijärvi 1996; Holmlund and Törnroos 1997; Alajoutsijärvi and Eriksson 1998; Halinen and Törnroos 1998). There is no agreed-upon definition of context in the literature. In this study, *context* is defined as *factors that are not totally in the decision power of relationship parties and that affect or condition the birth, development, and death of a relation*.

In the organisational buying literature, environment has been the concern of, among others, Webster and Wind (1972), Gronhaug (1976) and Campbell (1985).

Webster and Wind (1972) identified physical, political, economic, cultural, legal and technological *environmental determinants* in addition to physical, technological, economic, and cultural *organisational determinants*, as well as (task and non-task) *interpersonal determinants*, and *individual determinants* that all affect the buying decision process of an organisational actor.

The concept of environment and its relation to the concept of network context has been a concern of Anderson, Håkansson and Johanson (1994). According to them, in a relationship each firm is gaining control of at least one part of its environment while giving away some of its internal control. They raise the question of whether the environment of a relationship should be seen as faceless forces or whether it should instead be regarded as having some specific, organised character. Their answer is yes to the latter, and they regard the environment as a network.

This approach seems too narrow and arbitrary. There are both faceless forces and identifiable factors in the environment of a relationship. In their article, Achrol et al. (1983) have identified the primary task environment, the secondary task environment, and the macro environment of marketing channel dyads. The primary task environment is composed of the immediate suppliers and customers of the dyad. The secondary task environment is composed of the suppliers to the immediate suppliers, the customers to the immediate customers, regulatory agents, and the interest aggregators who influence them. The macro environment is composed of general social, economic, political, and technological forces that impinge on the activities in the primary and secondary task environments. This conceptualising encompasses both networks and the wider context of a focal relation.

In the literature concerning the process approach to management and organisation, Pettigrew and Whipp (1991) have divided the context into two types. The inner context encompasses the organisational factors of the focal parties, which affect the relationship, while the outer context includes the wider environment of the interacting parties and their organisations. The internal or inner context refers to issues such as company resources, capabilities, culture and politics (Pettigrew and Whipp 1991: 26) as well as ongoing strategy, structure, culture, management, and the political processes of a company (Pettigrew, Ferlie and McKee 1992: 7) while the external or outer context refers to the social, political and economic issues.

Taking the interaction perspective, Alajoutsijärvi and Eriksson (1998) operate with the above layers of context in analysing triadic relationships within the Finnish forest cluster. They use the concept of inner context to describe the activities in the relationship. In this study, however, interaction and intercommunication between the relationship parties are understood as the content of a relationship, while the inner context encompasses the organisational issues of relationship partners and the outer context encompasses industry context and macro environment. The idea is visualised in Figure 10.

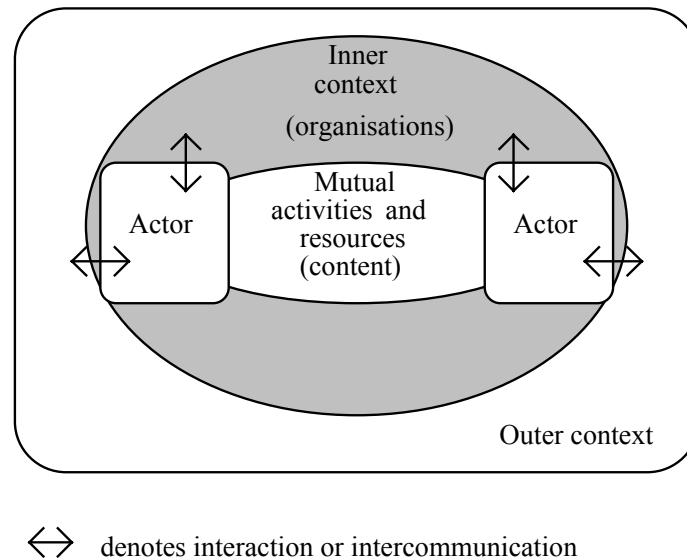


Figure 10: Inner and outer contexts of a supplier-customer relationship.

The networks are identified as outer context by Anderson et al. (1994), Salmi (1995), and Alajoutsijärvi and Tikkanen (1998). However, in the conceptualisation of this study they may belong to both inner and outer contexts. Under the concept of embeddedness, Halinen and Törnroos (1998: 193) have identified a micro net which refers to a distinct business activity carried out as teamwork among several actors, and a macro net which includes the political, regional or infrastructural network that plays an important role in the micro net and its activities. In the conceptualisation of this study, *micro net* is understood as the content and the inner context of network relationships while *macro net* refers to the outer context.

Gummesson (1999) discusses market, mega and nano relationships. Market relationships are those between and among suppliers and customers or their symbols. Mega relationships are above market relationships: personal and social networks, alliances and mega alliances and mass media relationships, for example. Nano relationships exist below market relationships. Examples of those are internal customer relationships, relationships with the 'employee market' and owner and finance relationships. Gummesson's relationships provide an external and internal context although they are pointing to the fact that external and internal are not clearly delimited categories but rather perspectives with fuzzy boundaries.

Concerning the sub-dimensions of inner and outer contexts, the findings of different authors are presented in Table 28. According to Flanagan and Weber (1974), the macroeconomic and microeconomic features of product and labour markets can affect the behaviour of the relation parties and the outcomes of trade negotiations. These features are included in the industrial context of this study. Furthermore, they find that the external or outer context also includes the political, social, technological and public policy contexts of supplier-customer

relationships. In the categorising of this study, public policy is included in the political context.

Authors	External or outer context	Internal or inner context
Flanagan and Weber 1974	economic political social technological public policy	economic (scope of business) organisational structure and the degree of centralisation of decision making size and diversity of the firm, product mix, technology and geographical scope degree of dependence upon capital and labour cultural orientation and business attitudes
Håkansson (ed.) 1982	market structure dynamism internationalisation position in the manufacturing channel social system	technology organisational size, structure and strategy organisational experience individuals (personality, motivations, attitudes, experience and behaviour)
Pettigrew, Ferlie and McKee 1992	social political economic } developments	resources, capabilities, culture and politics (Pettigrew and Whipp 1991) strategy structure management political } processes
Möller and Wilson 1995	context of the buying organisation context of the selling organisation common context	organisational level departmental level group level individual level
Gummesson 1997	mega relationships	nano relationships
Halinen and Törnroos 1998	market technological temporal spatial social political	dyad partners
Alajoutsijärvi and Eriksson 1998	setting time space physical environment	participants (individuals, groups or organisations) verbal or nonverbal action (conversation, dialogue, story telling, argument, interrogation and negotiation; gestures, face work and body movement) typical objects setting

Table 28: Contexts and their dimensions according to different authors.

The role of time in the study of industrial buyer-seller relationships has been the concern of Miettälä and Törnroos (1993). Halinen and Törnroos (1998) have

identified temporal, spatial, social, political, market, and technological embeddedness of industrial relationships and networks. Temporal embeddedness refers to the multidimensional nature of time (Halinen and Törnroos 1995). Spatial embeddedness refers to the spatial levels of industrial activity within a specific business setting. Furthermore, it can be looked at from a psychological/sociological perspective that deals with the way human actors understand space and the spatial hierarchy around them. Alajoutsijärvi and Eriksson (1998) also mention time (past, present and future) and space (e.g. geographical, social, industrial, technological, political) as the main elements of the contextual setting.

The existence of a supplier-customer relation is embedded in time. Accordingly, all the other contexts, both inner and outer, are embedded in time, and they change over time. Furthermore, social, political, spatial, technical, and economic factors which affect the relationships occur both at the organisational level and at the industry level, as was demonstrated in the focal case. Additionally, social, political, spatial, technical, and economic contexts interact with each other in the dynamic process of existence. Drawing from abductive reasoning, a model of contextuality in industrial supplier-customer relations is introduced in Figure 11. The different contexts identified in the focal relationships will be discussed next.

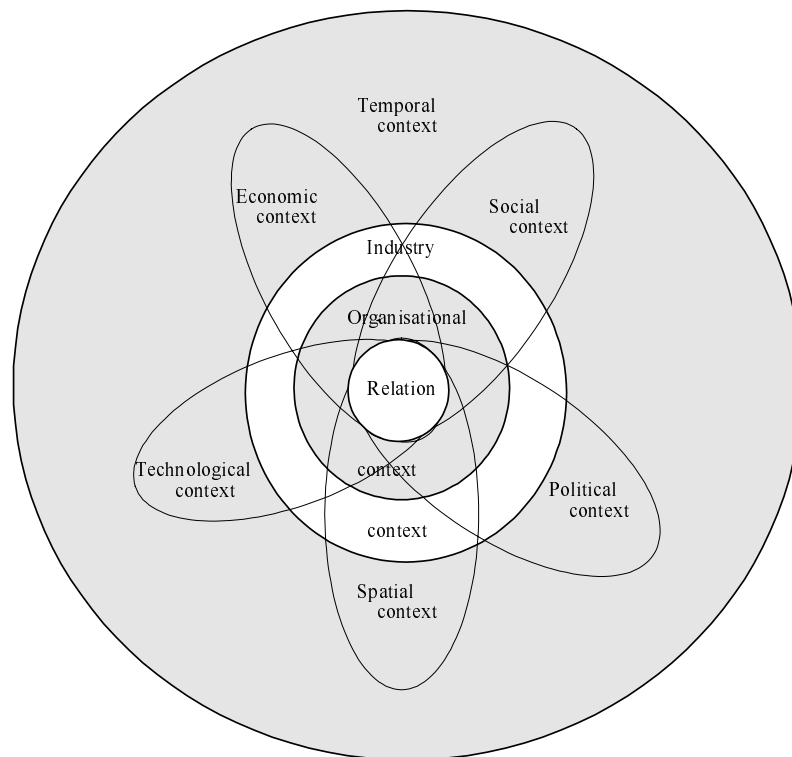


Figure 11: Contextuality of industrial supplier-customer relations.

6.3.2 Contexts of the Focal Relationships

Organisational Context

The organisational context of the relationship parties is the main influence on the establishment and maintenance of a relationship. The internal or inner context includes the company specific features which affect the focal relation. According to Flanagan and Weber (1974: 149), the corporate personality consists of five features: the economic nature of the enterprise (the scope of business); the organisational structure and the degree of (de)centralisation of decisions; the size and diversity of the firm and its product mix, technology, and geographical scope; the relative degree of dependence upon capital or labour; and the cultural orientation and business attitudes (ethnocentric, polycentric, or geocentric²⁶).

In this case study, all the divisions of the main corporation had their own spheres of business, which affected the way of acting in the customer relationships. Also, the different natures of customer enterprises affected the focal relationships.

Differences depending on the corporate personality materialised, for example, in the buying behaviour. This was best seen in Service (Petrol) Station Systems Division's relationships. The policy of Teboil (C2) is to not establish close personal relationships with the sales people of the suppliers. In Esso (C1), a supplier relation portfolio and interaction with the most important customers is continuously developed. Furthermore, the customer company's ideal is to avoid all kinds of conflicts with the suppliers. In the relationship with SEO (C3), the buying system was divided into collecting information and establishing and maintaining relations at one level, and actual bargaining and functional interaction at the other.

Other impacts on the focal relationships, caused by the actor organisations, are the levels of interaction. For instance, in the relationship with Kyro (B1) the customer party anticipated that in the future the negotiation level of commercial issues in the company will change with the new owner, a big corporation. Also, the overall interaction of the supplier and customer corporations has an effect on the focal relationship. For instance, NBI (A3) and Police School (D1) are parts of the same organisation and Kyro (B1) and Tako (B2) belong to the same corporation. Neste corporation has many individual relationships with different divisions of the supplier company. Furthermore, in the focal relationship with Neste (B3), the structure of the customer corporation influences situations in which the relationship parties may be competitors in the commercial bargaining processes.

Interaction between the political context and the organisational structure was identified in the focal relationships. Depending on whether the customer organisations come from the public or private sector, the organisational structure and the degree of centralisation of decisions varied. Especially in the relationship

²⁶ For more, see Hunter (1972:178).

with Police School (D1), the role of governmental authorities was detected, in addition to the economic power that lies in the hands of Parliament. In the relationships with APS (A2) and NBI (A3), the importance of the political context for the organisation was great: in the relationship with APS, Parliament's decisions on the acquisition of helicopters affected the supplier's relationships both with its focal customer and with another customer, the Finnish Air Forces.

In the literature, Beaumont (1992) has presented key distinctions between public and private sector organisations:

1. Market information, signals and incentives are relatively absent for public sector organisations, although they are subject to much greater influence by external political and governmental institutions
2. Public sector organisations are exposed to more external scrutiny and accountability than their private sector counterparts
3. Public sector organisations' goals are more numerous, intangible and more conflicting than in the private sector
4. Public sector managers have less autonomy due to constraints such as civil service rules
5. Public sector organisations have relatively more elaborate, formal rules, reporting requirements, and more rigid hierarchical arrangements

From the supplier's point of view, the suppliers' experiences of the organisational culture differences are that every customer organisation has their own way of acting, forcing the supplier representatives to adjust their work and behaviour to that of the customers. For instance, in the automation industry, the system concerning the extra work on a project, varies from company to company, and the supplier must tailor actions to fit the customers' preferences. Actually, every project manager on the customer side wants to make a project of their own, even within the same company. The role of organisational culture was expressed by one customer representative as follows:

"Organisational cultures should be flexible and sensible. If any difficulties arise during the project, those should be dissolved together, and the question of payment is postponed until a later point in time. In the final settling of the project both parties should yield."

Industry context

The industry context identified in this study includes such factors as the number of players; the competitive situation; dependence upon capital, technology or labour; the degree of regulation; modes of business (trends vs. cycles); and culture. In the aviation industry the number of players is low, while in installation the number of players is much higher. However, in the latter case, the spatial context affects the competition in different situations. In the service (petrol) station industry and in special systems, the role of technology is considerable while in the installation industry, the availability of labour is the key issue in the

focal relationships. In addition to high technology, skilled labour is a key issue in the aviation industry.

Regulations play a substantial part in all the focal industries, especially in the heavily-controlled aviation industry, where regulations set boundaries on trade in the focal relationships. Differences in the private and public aviation cultures were heavily emphasised by the supplier representative. In the installation industry, the regulations and processes of the food industry differ from the other process industries in which the supplier division operates.

The mode of industry also affects the focal relationships. All the companies in the paper industry tend to invest in construction and repair at the same time because of the cyclical nature of the business. Investments in the oil and aviation industries are more even. In the special systems, the Finnish bank industry culture and an ability to collaborate in security development has an impact on the focal relationships.

The turbulence of industries seems to affect the relations. However, despite the mergers and acquisitions that may cause changes at the company level, the people inter-communicating with each other in the industry are typically the same.

Social Context

The social context of the focal relationships encompasses, at the organisational level, the role and personal relations of the influencers in the focal relationships – for example the relations between the managing director of the supplier company and the higher level managers and directors of the customer companies. Furthermore, intra-organisational social relationships of the relationship parties create the social context for the focal relationship.

At the industry level, personal relations with the representatives of the third parties in the projects – for example the supplier personnel's relations to consultant supervisors (Neste) and the personnel of other contractors on the construct premises – belong to the social context. Furthermore, personal relations between individuals and those working for other companies in the industry are part of the social context in which the focal relationship exists. The infrastructural relations of the people in the relationship parties are a part of the social context both at the industry and at the macro level. In the focal case, the managing director's and the marketing manager's relations to the members of professional and social organisations as well as the authorities and politicians are examples of these.

An intangible element of the social context is the image, i.e. the reputation of the relationship party. It has an effect on the potential trade of the parties, as could be identified in relationships with Finnair (A1), NBI (A3), Teboil (C2) and SEO (C3). In Neste, in addition to the word-of-mouth²⁷ reputation, social

²⁷ For more, see Kuokkanen (1997).

relations between the workers of the suppliers and the customer representatives are used to check the practice of the supplier companies during the projects.

Political Context

The political context shows itself in the laws and the regulations that affect the focal relationships. In addition to the policy of a certain country, the policy of larger unions like the EU has its effect on the focal relationships. In the relationship with Esso (C1), the Finnish law is followed where it differs from U.S. law, which is otherwise followed in the customer corporation. In the service station industry, environmental regulations in different countries influence the activities in the corporations and relations. Furthermore, public policy dictates the price of the focal customers' products.

The political context also dictates which industries are private and which belong under governmental care. In the organisations of the public sector, public policy greatly affects the policies of the different organisations. This is most clearly seen in the budgets, which enable economic exchange in the focal relationships.

In the private sector, industry policies could be identified in the study. The different industries have organisations of their own in which policies are created. These policies may also evolve over time. In the construction industry in which the Installation Division operates, the tendering system is used; suppliers compete for every project. On the other hand, the banks' collaboration²⁸ is another example of industry policy. Organisational policy was already discussed under the title of organisational context.

Spatial Context

The spatial context had affected the interaction with Finnair (A1), APS (A2), NBI (A3), Tako (B2) and Police School (D1) and the maintenance network in the relationships of the Service (Petrol) Station Systems Division. Spatial context is perceived at two levels, physical and mental. The contradictions of domestic vs. foreign, global vs. local were identified in the interviews. For instance, in international installations the supplier engages in the project as a subcontractor while in domestic projects they usually collaborate directly with the customer. Globality affects the relationship with Esso (C1), due to the fact that the corporation has international contracts that delimit trade within the focal relationship. The role of locality was emphasised by Police School (D1); intercommunication could occur face-to-face, which the respondent found to be important. In the relationship with Tako (B2), the customer preferred the supplier

²⁸ The Finnish banks have terminated the collaboration after the interviews were made.

to its main competitor because all the administrative functions of the competitor are located further away.

The role of mental spatiality materialises in the intercommunication among individuals of the relationship parties. In the event of mental distance, as in the relationship with SEO (C3), the relationship seems to have no preconditions for enhancement. Furthermore, mental distance seems to make personal interaction and intercommunication in projects more difficult, which means more time is spent in solving conflicts. This has an effect on the profitability of the project for the supplier.

Spatial context may be seen as a space of communication. Depending on the information technology of the relationship companies, intercommunication between the parties is conducted through different media. In the focal companies, the levels and use of information technology varied. In most of the relationships, the traditional vehicles of mail, phone, and fax were utilised in intercommunication.

Another dimension of spatial context, the ecological dimension, was identified as affecting the focal relationships in the fuel industry. The importance of safety dictated the choice of counterparts in Neste (B3), Esso (C1) and Teboil (C2).

Technological Context

In the case company and focal relationships, the role of the technological context is decisive; indeed, the growth of the case company is based on the development of technology. In the Avionics Division, the new technology of Hornet fighters has led to substantial changes in the relationship between the company and its biggest customer, the Finnish Defence Forces. In the Installation Division, the development of technology has changed the deliveries in the relationships. Due to the technical development of the products, the customers of the Service (Petrol) Station Systems Division do not want to be bound to only one supplier. In this industry, the overall technological system of a service (petrol) station (fuel dispensers, payment terminals, cash registers, etc.) binds the companies to a technological network. In the bank relationships of the Special Systems Division, overall change in information technology heavily dictates the resources and activities of the relationships. In these cases, the relationship parties are part of a larger technological network. In the relationship with Merita (D1), the future of the relationship depends on technology and the supplier's competence in utilising the newest technology.

Economic Context

Economic context played a substantial role, especially in the relationships with a public sector customer. Trade in the relationship was totally dependent on those

contextual factors. This means that the parties cannot commit themselves to long term economic exchanges but must operate on transactional terms.

The role of the economic context was seen in the recession in the early 1990s: in the relationship with Neste (B3), the supplier lost all the projects to its competitors while in the relationship with OKO (D3) the parties had negotiated a deal that was then cancelled due to the bad economic situation. Economic context has also had its impact on the supplier company. The number of financiers has grown, and so has their role and importance. An example is Kyro (B1) where, at the bank's demand, the customer had to outsource the maintenance and repair of the machines.

Changes in coins and notes, and the forthcoming change in currency within the EU will have a major impact on the activities in the service station systems relationships. Payment terminals must be updated, which requires collaboration between the relationship parties.

Temporal Context

Temporal context is the underlying factor affecting the focal relationships. Time creates, maintains, and enables change in other contexts which, in turn, affects the resources and activities in a relationship. Over time, the individuals in the relationship parties get to know each other, which has its impact on daily routines as well as on commercial intercommunication, conflict solving, etc. Furthermore, time may cause a re-interpreting of the relationship by the actors because of changes either in the people involved or in the context.

To study relations between contextual factors and the role of the time perspective of planning in the focal relationships²⁹, the answers given by the respondents were cross-tabulated. The results are presented in Table 29 and Table 30. The perceived time perspective was related, to some extent, to contextual factors. The strongest were the connections with financial markets ($p = 0.327$) and technology ($p = 0.323$). Connections with human resources ($p = 0.150$) and suppliers, raw materials and energy ($p = 0.106$) were weaker. The perceptions of the time perspective were not significantly connected with the perceived impact of the relationships of their own company ($p = 0.001$), the counterpart's other relationships ($p = 0.039$), the evaluations of the competitors' activities ($p = 0.000$), or the evaluations of the impact of legislation on the focal relationship ($p = 0.017$). It may be concluded that financial and technological changes over time are the most important contextual factors that affect the focal relationships.

The future of the focal relationships is highly embedded in time, as are the changes that emerge in other contexts. These findings are in accordance with the ideas of Halinen and Törnroos (1995: 1998) who have suggested a relational time concept for business studies. In my model, time is related to all other contexts of a supplier-customer relationship.

²⁹ The results of the assessments have been presented earlier in the report.

		Financial markets				
time perspective		no impact	minor impact	moderate impact	major impact	critical impact
short	1	1	1			
	2					
	3			2		
	4			1		
	5		2		1	
long	6	3	6	2	3	
	7	3	1	4	3	

N = 33

		Human resources				
time perspective		no impact	minor impact	moderate impact	major impact	critical impact
short	1	1		1		
	2					
	3				2	
	4			1		
	5				3	
long	6		2	4	7	1
	7		2	5	4	

N = 33

		Suppliers, raw materials, energy				
time perspective		no impact	minor impact	moderate impact	major impact	critical impact
short	1	1	1			
	2					
	3		2			
	4	1				
	5		1		2	
long	6	1	3	6	3	
	7	4	4	3		

N = 33

		Technology				
time perspective		no impact	minor impact	moderate impact	major impact	critical impact
short	1			1	1	
	2					
	3			2		
	4				1	
	5			2	1	
long	6		2	4	8	
	7			3	4	4

N = 33

Table 29: Evaluation of the impact of the financial markets, human resources, suppliers, raw materials and energy, and technology on the focal relationship, and the connection with the perceived time span of planning.

Competitors' activities						
time perspective		no impact	minor impact	moderate impact	major impact	critical impact
short	1				2	
	2					
	3				2	
	4	1				
	5				2	1
long	6			2	9	3
	7			5	4	2

N = 33

time perspective		Legislation				
		no impact	minor impact	moderate impact	major impact	critical impact
short	1	2				
	2					
	3		2			
	4				1	
	5		1	2		
long	6		4	3	6	1
	7	4	3		1	3

N = 33

Own company's other relationships						
time perspective		no impact	minor impact	moderate impact	major impact	critical impact
	short	1	2			
long		2				
			2			
			1			
			1	2		
			4	4	5	1
			4	1	6	

N = 33

time perspective		Counterpart's other relationships				
		no impact	minor impact	moderate impact	major impact	critical impact
short	1	1			1	
	2					
	3			2		
	4	1				
	5		1	2		
long	6	1	3	7	2	1
	7	2	9			

N = 33

Table 30: The relations between the perceived time perspective of planning and the perceptions of the influence of competitors' activities, legislation, own company's other relationships and counterparts' other activities.

6.4 Evaluation

6.4.1 Concept of Evaluation

Different actors evaluate the outcomes of different events³⁰ according to the satisfaction³¹ they provide the actors. If an actor does not feel satisfied with the contact or transaction they have made in expectation of receiving certain benefits, they will be reluctant to repeat the contact or transaction again. Furthermore, alternatives have to be valued in decision-making.

Evaluation has been a concern of social scientists for over two decades (e.g. Weiss 1972; Rossi, Freeman and Wright 1979; Wholey 1979; Forss 1985; Ahonen 1993; Fetterman, Kaftarian and Wandersman 1996). However, in the IMP and Relationship Marketing approaches the concept of evaluation has not been widely addressed (for exceptions, see Holmlund 1997 and Järvelin, forthcoming). However, concepts used in the literature – such as measurement and control, monitoring, screening, perception, valuation, etc. – deal with the phenomenon of evaluation. Kotsalo-Mustonen (1995) has identified the evaluation phase in a dyadic industrial supplier-customer relationship. On the customer side it includes performance feedback and evaluation while on the supplier side it encompasses implementation and delivery.

According to Nilstun, Gunnarsson, Hermeren and Edlund (1982), evaluation would be any determination of the value of an object or an activity by any means (common sense, intuition, etc.). A more operational definition of evaluation by Rossi et al. (1979) encompasses four classes of evaluation: research for planning a program, program monitoring, impact assessment, and research on project efficiency. They state that "a comprehensive evaluation of a program would involve at least monitoring, impact assessment, and efficiency calculations, and in the case of new programs and major modifications of long-standing programs, should also include research for planning" (ibid., 32).

The definitions above include both the systematic, official evaluation and the unofficial evaluation made by the relationship parties. On the basis of the above definitions, a definition of evaluation for this study is given:

³⁰ In the course of a relationship the parties engage in many episodes. Besides the actors, situational elements can affect the course of the episode and the perceived satisfaction. Belk (1974) defines *situation* as "all those factors particular to a time and place of observation which do not follow from the knowledge of personal (intra-individual) and stimulus (choice alternative) attributes, and which have a demonstrable and systematic effect on current behaviour". *Event* is discussed by Hedaa and Törnroos (1998) as a concept that captures both the intended and unintended elements of an episode.

³¹ Satisfaction is defined here as an attitude towards a particular object based upon perceived fulfilment of needs concerning object-specific attributes. Satisfaction can be seen as affective or cognitive.

*Evaluation is an activity or a series of activities that comprise the formal and informal perceptions by the parties involved, and the assessment of the impact of the perceived object(s) on the focal issue*³².

Evaluation is, to a large extent, based on the comparison (disconfirmation) between a comparison standard and the actual experienced outcomes (see Grönroos 1982). Comparison standards in the creation phase of a relationship are mainly based on expected or presumed outcomes, goals, or desires. In the further phases of a relationship, comparison standards include the previous history of the relationship and may vary with the delights and disappointments to various episodes experienced in the relationship (cf. Lehtinen and Järvelin 1995).

Regardless of the existence of prior experience or acquaintance with one another, the parties in a potential exchange evaluate each other and the outcomes that may result in engaging in an exchange with the other. The parties have to decide whether they expect to gain more by bargaining than they would without. Parties must believe that each has something of value for the other. In their study, Nijssen, Douglas and Calis (1999) concluded that companies only look for trading partners infrequently, and may not feel it worthwhile or necessary to develop formalised search or evaluation/selection procedures.

Depending on the comparison level of the party (Thibault and Kelley 1959), "the standard against which the member evaluates the 'attractiveness' of the relationship or how satisfactory it is" (ibid., 21), the parties evaluate different elements of the relationship. Thibault and Kelley seem to refer to existing relationships. In business, however, pre-relation evaluation is important. Al-Khalifa and Peterson's (1999) main finding in their study was that the critical factors in international joint venture partner selection criteria are related to the reputation, experience and personal knowledge of the partner organisations as well as to some of the personal characteristics of their Chief Executive Officer (CEO).

In her study of perceived quality in business relationships, Holmlund (1997) has identified economic, technical, and social dimensions that are evaluated in a relationship. An additional dimension, namely the ultimate dimension, has been identified by Szmigin (1993), Halinen (1994) and Venetis and Kasper (1996). Andaleeb and Basu (1994) have identified a factor that was not identified by Holmlund; in their study of a customers' assessment of the service quality of an automobile service/repair facility, fairness was found to be an important determinant. Its importance is dependent on the complexity of the task involved and the customer's knowledge ability. The notion of fairness implies distributive justice where each actor in an exchange gets what they deserve (Oliver and Swan 1989) or that all parties receive benefits that are proportional to their investments (Homans 1961).

³² In the narrow meaning of activity, evaluation is always a series of activities because perception and assessment of a perception are two different activities. For the sake of simplicity, a one-time evaluation made by one person is considered a single activity in this study.

For the purpose of this research (including the studies of both Järvelin and Mittilä), Holmlund's classification of the four major evaluation objects is suitable. Economic issues are pertinent in the focal case in accordance to technical issues. Human individuals affect quality and quantity of intercommunication without which relationships do not exist. Ultimate dimension encompasses the holistic perception of a relationship. Following the division of a holistic relationship into episodes, the objects of evaluation were identified both at the episode and the relationship level.

6.4.2 Analysing Evaluation

Earlier research concerned with supplier-customer dyads between individuals has revealed many factors that are perceived and assessed by customers. The perceptual variables that appear to contribute to dyadic similarity include attitude congruence on several dimensions (Evans 1963 and 1964), the degree to which the prospect's expectations of the appropriate salesperson's role are fulfilled, i.e. role congruence (Evans 1963; Tosi 1966), personality commonalities (Mathews, Wilson and Monoky 1972), perceived expertness (Evans 1963; Woodside and Davenport Jr. 1974; Busch and Wilson 1976), and product usage similarities (Brock 1965; Woodside and Davenport Jr. 1974), all of which relate to the prospect's orientation toward the salesperson (Riordan, Oliver and Donnelly 1977). Some studies (e.g. Brock 1965; Tosi 1966; Mathews et al. 1972; Woodside and Davenport 1974; Busch and Wilson 1976) suggest that perceived similarity between parties in a dyad is a factor that increases a salesperson's effectiveness or the incidence of co-operative (mutually satisfactory) responses.

In industrial supplier-customer relationships, evaluation usually involves many evaluators. Due to the different roles, experiences, personal characteristics, etc. of the evaluators, their perceptions and assessments regarding a certain relationship or its elements may vary, both inside the parties' organisations and between the relationship parties. The evaluators may perceive and assess the focal object as negative, neutral, or positive, depending on the factors mentioned above.

In their paper, Holmlund and Strandvik (1997) have presented a configuration map of the perceptions by two parties. Here, starting from a division into positive, neutral and negative perceptions the idea is further developed. Evaluations may be harmonious, with the parties having the same view of the object; they may be disharmonious, in which case the perceptions and/or assessments slightly differ among the evaluators; or they may be dissonant, with the parties having totally adverse perceptions and/or assessments of the object. The different possibilities in case of two evaluators are presented in Figure 12. The degree of similarity with which the parties perceive the object under scrutiny is, in this study, called evaluation synchrony.

Depending on the importance of the object under scrutiny, the weight of the individual evaluations may vary. Järvelin and Mittilä (1996) have identified three

levels of an industrial supplier-customer relationship: operational, decision-making and influence levels. The scope of evaluation usually dictates what roles different people involved in the relationship play. In major conflicts, for example, the top managers make the evaluations and decisions even though they do not otherwise make decisions about the relationship. Here, the evaluation of the influencers is the most important. On the other hand, in the acquisition of a new copy machine, the workers may be the influencers whose assessments are the most important.

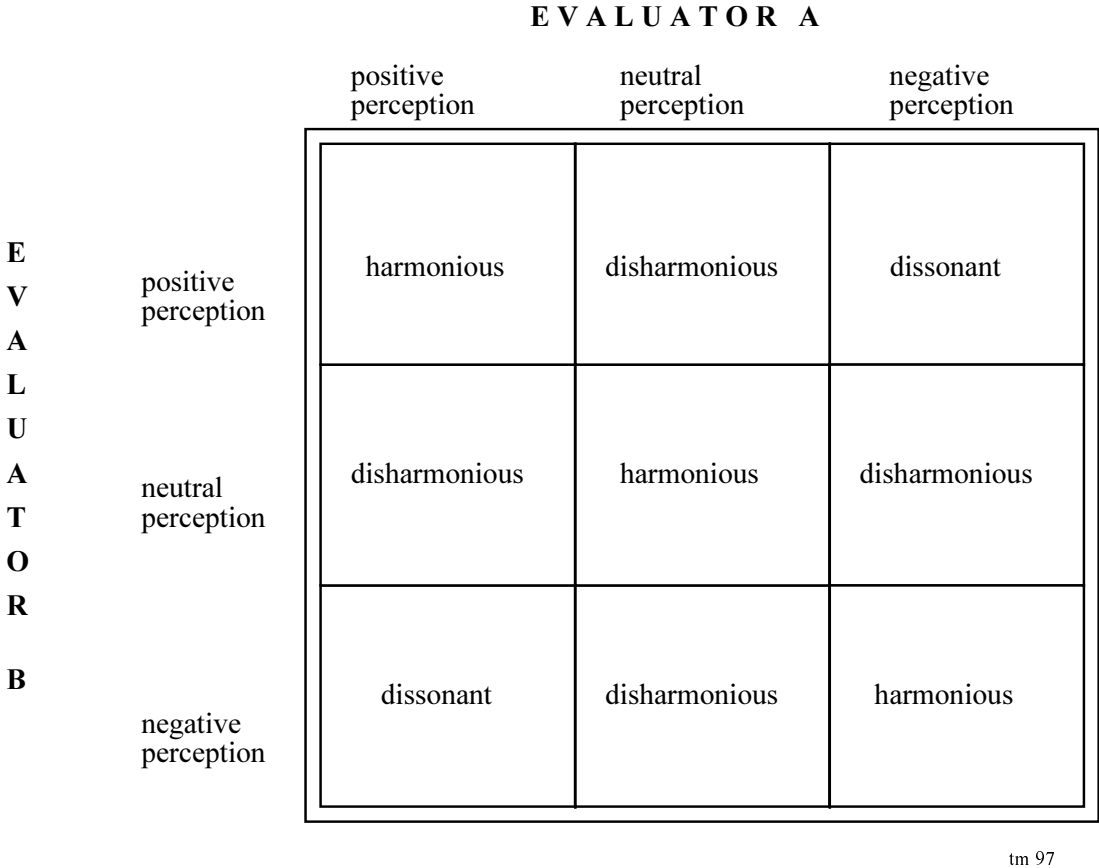


Figure 12: Evaluation synchrony of two actors.

In the pre-relationship stage (Ford 1980), the potential of the other party is evaluated on a different basis than in the later stages of the relationship (for comparison standards, see Järvelin, forthcoming). In the pre-relationship stage, the first evaluation of a relationship by the potential parties is made intra-organisationally. If the outcome of the intra-organisational evaluation is positive for an exchange, the next step is an evaluation of the potential partner(s).

To analyse the empirical data, a model of multidimensional evaluation was developed and is depicted in Figure 13. Using this model, issues concerning

evaluation synchrony can be analysed at different evaluator levels. The object of evaluation may be the whole relationship or only certain aspects of it.

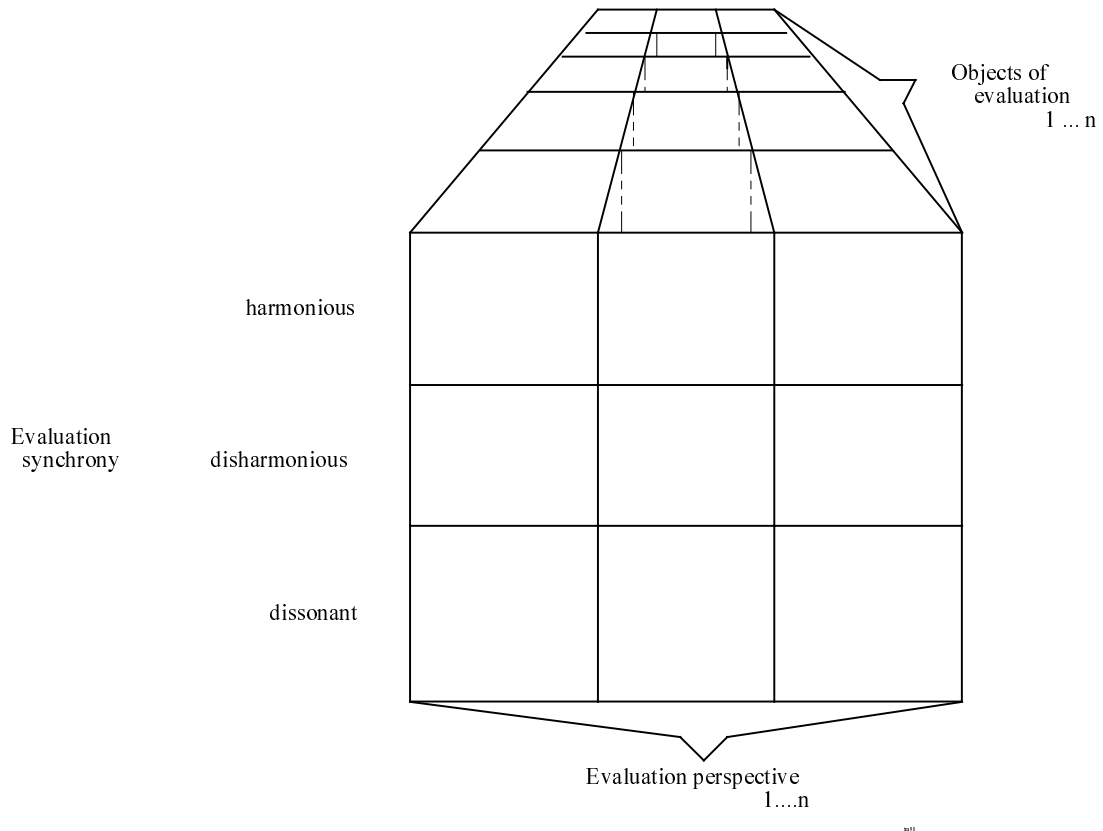


Figure 13: Multidimensional evaluation model.

6.4.3 Evaluation in the Focal Relationships

Depending on the scope of the relationship, parties may interact with each other only through intercommunication or through intercommunication and structural ties such as technical systems and legal contracts. In the IMP literature, these structural ties are labelled as actor bonds (for more on bonds, see Järvinen 1996). In the focal case, the relationships with APS (A2), NBI (A3), Tako (B2) and SEO (C3) were purely intercommunicative while all the others had some kind of structural tie. In the relationship with Finnair (A1), manuals tie the parties together. In the relationships with Kyro (B1) and Neste (B3), the supplier has a base in the customer's premises. In the relationships with Esso (C1), Teboil (C2), Police School (D1), Merita (D2) and OKO (D3), technical ties – the systems, hardware and software – exist. These ties require different modes of evaluation than those used in the intercommunicative relationships.

6.4.3.1 Evaluation Perspective in the Focal Relationships

Due to different actor levels in the supplier-customer relationships, the evaluators' perspectives of the relationship varied. At the 'lower' levels the perspective was narrower than at the 'higher' levels of a relationship. This emerged in the interviews with the supplier representatives as well as in the customer group interviews. The finding is in accordance with Holmlund's (1997) findings on different scopes of perception.

Both in the inter-organisational and intra-organisational relationships, an individual's perspective of evaluation varied with the object of evaluation. For instance, in the relationship with APS (A2) the operative-level person of the relationship acts at a decision-making level when checking the repaired device and its documentation. If they do not approve of the outcome of the service, they may influence the evaluation of others in the organisation on the competence of the supplier company. The scope of the evaluation determined the evaluator's perspective in other cases as well. The technical people at the operative level or decision-making level acted as decision makers and/or influencers when the scope of evaluation was technical. If the scope was commercial, the evaluators came from different relationship levels, depending on the organisation.

Another classification of evaluator perspectives was made in this study: as identified in the primary analysis, the perceptions or image of the different elements of the focal relationships varied, depending on the responsibility and occupation of the evaluator. Accordingly, such evaluator levels as strategic, technical, commercial, and managerial, in addition to the ones introduced earlier, may be used in studying and analysing the role of evaluation in the business relationships.

Depending on the actors and the importance of the potential transaction, evaluation is made either at the individual or collective level. In the Service (Petrol) Stations Systems Division, tens of offers are made by individuals without any formal evaluation of the potential customer. On the other hand, in the relationship with Police School (D1), influencers from the Ministry of the Interior participated in the evaluation of the potential deal concerning the simulator.

6.4.3.2 Objects of Evaluation in the Focal Relationships

On the customer side, the representative of Esso (C1) described their evaluation of the potential supplier as follows:

"Depending on the acquisition, a screening of potential supplier's competencies and their applicability to our needs is made using various criteria. Criteria are, for example, the size of the company, financial standing, management's competence, resources, centralisation, experience from relationships similar to ours, security issues. In larger acquisitions,

screening is conducted in personal interviews. Different aspects of the potential suppliers are scored – using a scale from 1 to 5 – by buyer representatives present at the interview."

In their study, Järvelin and Mittilä (1998) have identified dimensions of quality³³ that are evaluated by the relationship parties of the focal case study. On the basis of this, objects of evaluation are presented in Table 31 below. Objects that are evaluated on the basis of daily work are more task-specific than objects evaluated at the strategic level of the relationship.

<i>Objects evaluated at the episode level</i>	<i>Objects evaluated at the relationship level</i>
<p><i>TECHNICAL</i> Equipment Goods Functional aspects faultlessness reclamations time frames</p> <p><i>SOCIAL</i> Individual networks suppliers counterparts co-workers customers Communication</p> <p><i>ECONOMIC</i> Price Profit Delivery time</p> <p><i>ULTIMATE</i> Status quo Future expectations</p>	<p><i>TECHNICAL</i> Competence Skills Systems Network</p> <p><i>SOCIAL</i> Individual networks suppliers counterparts co-workers customers other stakeholders Communication</p> <p><i>ECONOMIC</i> Solidity Solvency Profitability</p> <p><i>ULTIMATE</i> Status quo Future expectations</p>

tm98

Table 31: Objects of evaluation in the focal relationships. (Adapted from Järvelin and Mittilä 1998)

³³ In Järvelin's (forthcoming) work, the key concept is relationship quality. Thus, the term also occurs in this context. Despite the different conceptualisation of the studies, the issues addressed are similar.

In the installation industry, customers evaluate the supplier's work. Competitive suppliers hear of each other's successes or failures in some project by word-of-mouth. Every project in the industry is finished with a meeting where the final settlement of the project is accomplished. Financial plusses and minuses recorded during the project are compared to the contract and the final payment is agreed upon. This evaluation is made by those responsible for the project. After the project's official proceedings are done, the supplier party invites the customer's decision-makers to a social evening, usually a sauna, where positive feedback – which otherwise is not a part of the Finnish mentality – can be given. This occasion is also seen as a start for the supplier's next project.

The intra-organisational evaluation is concerned with both external and internal objects. The general development of industries and markets is continuously evaluated by the suppliers and the customers. In the supplier company, evaluation of the future of the customers is essential for business; changes in key personnel, for example, should be foreseen early enough. Internal evaluation may include the customer orientation of salespeople and maintenance personnel. As the supplier representative put it: *"no systematic measurement of the customer orientation of the personnel exists, evaluation of that is based only on negative feedback given by customers."*

Evaluations serve as the basis for decisions. For instance within the Service (Petrol) Station Systems Division, impressions gathered by the marketing and sales people are discussed yearly before translating the future expectations into budget allocations. Evaluations of the resources in projects are needed. Additionally, in relationships, economic aspects are evaluated – do parties need face-to-face contact rather than a phone call and does the supplier need one or two people at a customer meeting?

The outcomes of the evaluations may have an effect both on operational, episode-specific activities, and on strategic, relationship specific activities. The activities may be one-sided or mutual adaptations, and bargaining over the issues.

6.4.3.3 Evaluation Synchrony in the Focal Relationships

Evaluation of the Focal Relationship

In the study, the people responsible for focal relationships were asked to evaluate certain aspects of their relationship³⁴ as well as the impact of factors outside the focal relationship. The objects of evaluation in the relationship were based on issues discussed in the relationship marketing literature.

The respondents were asked to evaluate, on a seven-category scale³⁵, the time span of planning in the relationship, the role of price, the communication, the

³⁴ For more about dimensions and characteristics, see Lehtinen et al 1994.

³⁵ See questionnaire in Appendix 4.

willingness to take care of the relationship, the importance of trust, the degree of commitment, the object of satisfaction (core product vs. interaction), the most important quality dimension (core product vs. interaction), the importance of service, the development of the relationship (no change vs. deepening over time), and the dependency of the other party.

Answers were compared in pairs with the Evaluation Synchrony model. They were interpreted as harmonious if the answers fell in the same category or in adjacent categories. Where the answers had gaps of one or two categories between them, they were seen as disharmonious. In the rest of the cases the evaluations were interpreted as dissonant. The results are presented in Tables 32 and 33.

In the relationship with Finnair (A1), two people from the supplier party and one from the customer side gave their evaluations. The supplier's representative responsible for economic issues saw the meaning of price very differently from the other respondents. He anticipated a high elasticity in price while the manager of the operative part of the relationship and the customer's representative saw little elasticity in price. In this relationship, the customer emphasised only the product and its quality while, in respect to the object of satisfaction, the supplier respondents felt that both the product and the interaction counted. The operative respondent of the supplier agreed with the customer in the quality evaluations.

The differences in evaluations of dependence were clear: the customer saw itself as being, to some extent, dependent on the supplier while on the supplier side, the division manager considered the division to be extremely dependent and the operative manager saw the supplier as only slightly dependent on the customer. This difference can be explained by the perspective of the evaluators. Even though the customer offers the supplier only two days' work-load a year, other factors, such as manuals, and a knowledge of civil aviation, makes the relationship important to the supplier, a fact that is better understood by those with more responsibility in the company.

The evaluations in the relationships with APS (A2) and NBI (A3) were harmonious. In the case of APS the customer evaluated communication as more one-sided than the supplier did. In the case of NBI opinions about the price differed; the supplier anticipated a lower elasticity than the customer.

In the relationship with Kyro (B1), the supplier saw itself as being very dependent on the other party while the customer saw itself as only slightly dependent on the supplier.

In the relationship with Tako (B2), the customer's evaluation of the meaning of interaction and its quality in the relationship was clearly different from that of the supplier respondent, whose view was that only the final product and its quality are important. Concerning the time span in planning, the supplier had a

Evaluation synchrony						
Object	A1	A2	A3	B1	B2	B3
time span of planning	harmonious	harmonious	harmonious	harmonious	<i>disharmonious</i>	harmonious
price elasticity	dissonant	harmonious	<i>disharmonious</i>	harmonious	harmonious	harmonious
communication	harmonious	<i>disharmonious</i>	harmonious	harmonious	harmonious	harmonious
willingness to take care of the relationship	harmonious	harmonious	harmonious	harmonious	harmonious	harmonious
importance of trust	harmonious	harmonious	harmonious	harmonious	harmonious	harmonious
degree of commitment	harmonious	harmonious	harmonious	harmonious	harmonious	harmonious
object of satisfaction	<i>disharmonious</i>	harmonious	harmonious	harmonious	dissonant	<i>disharmonious</i>
quality dimension	<i>disharmonious</i>	harmonious	harmonious	harmonious	<i>disharmonious</i>	<i>disharmonious</i>
service	harmonious	harmonious	harmonious	harmonious	harmonious	harmonious
relationship development	harmonious	harmonious	harmonious	harmonious	<i>disharmonious</i>	<i>disharmonious</i>
dependency	dissonant	harmonious	harmonious	dissonant	harmonious	harmonious

Table 32: Evaluation synchrony and objects of perception in Avionics Division's and Installation Division's focal relationships.

Evaluation synchrony						
Object	C1	C2	C3	D1	D2	D3
time span of planning	dissonant	dissonant	harmonious	<i>disharmonious</i>	<i>disharmonious</i>	harmonious
price elasticity	dissonant	<i>disharmonious</i>	harmonious	harmonious	harmonious	<i>disharmonious</i>
communication	dissonant	dissonant	harmonious	harmonious	<i>disharmonious</i>	<i>disharmonious</i>
willingness to take care of the relationship	<i>disharmonious</i>	<i>disharmonious</i>	<i>disharmonious</i>	harmonious	harmonious	harmonious
importance of trust	harmonious	harmonious	<i>disharmonious</i>	harmonious	harmonious	harmonious
degree of commitment	<i>disharmonious</i>	<i>disharmonious</i>	harmonious	harmonious	<i>disharmonious</i>	<i>disharmonious</i>
object of satisfaction	dissonant	dissonant	dissonant	harmonious	<i>disharmonious</i>	<i>disharmonious</i>
quality dimension	dissonant	dissonant	harmonious	harmonious	harmonious	harmonious
service	harmonious	harmonious	<i>disharmonious</i>	harmonious	harmonious	harmonious
relationship development	dissonant	<i>disharmonious</i>	harmonious	dissonant	harmonious	harmonious
dependency	<i>disharmonious</i>	dissonant	harmonious	<i>disharmonious</i>	<i>disharmonious</i>	dissonant

Table 33: Evaluation synchrony and objects of perception in Service (Petrol) Station Systems Division's and Special Systems Division's focal relationships.

longer perspective than the customer and he also predicted that the relationship would deepen strongly over time.

In the relationship with Neste (B3), there was a gap between the evaluations of the meaning of interaction and of its quality in the relationship. The supplier believed that interaction also counts, but in this relationship the customer representative is more optimistic about the deepening of the relationship than the supplier is.

In the relationships with Esso (C1) and Teboil (C2) there were many evaluators on the supplier side and on the customer side. On the supplier side the respondents perceived that all customer relationships are treated equally, and thus their answers concern all the focal relationships.

The intra-organisational evaluation revealed differences of opinion on the aspects of relationships other than the attraction, the role of trust in relationships and the importance of service. In marketing and maintenance the time span is long while in production it is fairly short. The maintenance representative saw price elasticity as being higher than the marketer did. The evaluation of the production person was in-between. Communication was seen as interactive by the product manager while the others evaluated it to be less interactive. The evaluation of the degree of commitment was disharmonious in that the production representative saw more commitment than the others. This may be because of the scope of the relationship, the systems, or the fact that it is the production representative who evaluates the technical ties to customers.

The answers to the questions on the object of satisfaction and on quality showed that the person responsible for the equipment emphasised equipment. The person responsible for maintenance saw interaction and product as equal sources of satisfaction. He, however, emphasised the quality of the product while the marketer emphasised the quality of interaction in the relationships. The sales manager believed that the relationships would develop only slightly over time while the others believed that they would deepen more. Again, the different roles of the respondents may cause the difference in perspectives. Concerning the supplier's dependence on the customers, the salesperson perceived there to be less of a dependence than the others.

On the customer side, the evaluations of the representatives of Esso (C1) were harmonious, with the exception of those on price, object of satisfaction, development of the relationship, and dependence. The buyer of the customer party perceived price elasticity to be high, while the person responsible for the development of the service station systems perceived it to be low and the coordinator of dispensers and payment terminals saw it as fairly low.

In Teboil's (C2) internal evaluation of the focal relationship, price elasticity was seen by the development director as being rather low while the other respondents, the buyer and the project manager, considered it moderate. Communication was seen as interactive by the buyer and the development person, and as moderate by the project manager, who did not consider the degree of commitment to be as high as the project manager did. The buyer perceived the object of satisfaction to be more focused on the product than the others did. With

respect to quality, the development manager (the official voice of the company) understood it as the quality of the product while the buyer's evaluation was in-between product quality and interaction quality and the project manager's was near the interactive end of the scale. The project manager also predicted that the relationship would deepen over time while the others thought the development of the relationship to be quite moderate. Concerning the customer's dependence on the supplier, the official statement was that only a minor dependence exists. However, the software specialist (the project manager) evaluated the dependence as moderate while the buyer it as being fairly high. Here again, the perspective of the evaluator may affect the evaluations; the development manager is expected to look at the issues from a broader perspective than those who are more deeply involved in the relationship.

The overall evaluations in the relationships with Esso (C1) and Teboil (C2) were harmonious only on the subject of the importance of trust and service in relationships. Other evaluations were disharmonious or dissonant due to the different intra-organisational perceptions and/or assessments.

Only one respondent of each party evaluated the relationship with SEO (C3). In this relationship, which in general was evaluated to be more transactional than the others, the bistomer representative had little interest in taking care of the relationship and the supplier evaluated willingness as being moderate. Trust was not an issue for the bistomer; the supplier evaluated its importance as a little more than moderate. Even the importance of service was considered as low by the bistomer representative and as moderate by the supplier.

Evaluations in the relationship with Police School (D1) were disharmonious concerning the time span of planning and dependence. Time spans were evaluated to be longer by the supplier than by the customer. The customer saw itself as being fairly dependent on the supplier while the supplier perceived only a slight dependence on the customer. The customer believed that the relationship would deepen over time while the supplier expected less than moderate development in the relationship.

In the relationship with Merita (D2), the time span of planning was perceived as being long by the supplier while on the customer side it was perceived as moderate. Communication is evaluated by the customer as being highly interactive and as moderately interactive by the supplier. Concerning the object of satisfaction, the customer perceived it to be the product while the supplier felt that interaction also counts.

The customer does not perceive itself to be committed to the supplier at all while the supplier sees commitment to be moderate. In reality, the customer is committed to the supplier through the collaboration of the Finnish banks. Though it may not perceive a commitment, the customer did consider itself dependent on the supplier to a moderate extent, while the supplier saw itself as having only a minor dependence on the customer. Here we may ask what the word 'commitment' means to the respondents. If it is understood in terms of written contracts, then the customer does not regard itself as being committed to the supplier because trade is handled deal-by-deal.

In the relationship with OKO (D3), the perceptions of price elasticity differed in that the customer saw it as fairly high while the supplier saw it as fairly low.

Communication was seen as interactive by the customer and as moderately interactive by the supplier. Concerning commitment, the customer considered itself to be quite strongly committed to the relationship and strongly dependent on the supplier party. The supplier's perception was that they are moderately committed and only slightly dependent on the customer. For the customer, the quality of the product was the most important factor.

Evaluation of Contextual Factors' Impact on the Focal Relationship

The respondents evaluated the external factors affecting the focal relationship and the degree of impact on the relationship using a five-category scale³⁶: no impact, minor impact, moderate impact, major impact, and critical impact. The answers were then analysed in pairs with the Evaluation Synchrony model. They were interpreted as harmonious if the evaluations were in the same category or in adjacent categories, disharmonious where there was one category in-between, and dissonant where there were two or more categories in-between. The results are presented in Tables 34 and 35.

When interpreting the results, one must take into account that the degree of evaluation synchrony in the first two objects of evaluation does not tell us anything about differences in parties' perceptions but rather about differences in the importance of other relationships to the focal relationships.

In the relationship with Finnair (A1), disharmony was identified between the supplier representatives on the issue of the other relationships of their own company. The division director perceived a minor effect while the maintenance manager considered the impact to be major. Concerning the customer's other relationships, the division director considered their impact to be minor while the maintenance manager saw them as having a moderate effect on the focal relationship. The customer perceived its own relationships as having a moderate impact and the supplier's other relationships as having a minor impact.

The division manager of the supplier did not perceive financial markets as having any impact on the relationship, while the customer and the maintenance manager perceived a moderate impact. Also, perceptions of technology's impact differed within the supplier party; technology was seen by the division director and the customer as having a major impact, and by the maintenance manager as having a minor impact.

In the relationship with APS (A2), the respondents disagreed in their evaluations of human resources and legislation. The supplier perceived that human resources have only a minor impact while the customer perceived a major

³⁶ See the questionnaire in Appendix 4. The classification originates from Haahti's (1989) questionnaire.

Evaluation synchrony						
Object	A1	A2	A3	B1	B2	B3
Other relationships of own company	<i>disharmonious</i>	harmonious	harmonious	harmonious	harmonious	<i>disharmonious</i>
Other relationships of the other party	harmonious	harmonious	dissonant	dissonant	harmonious	harmonious
Financial markets	<i>disharmonious</i>	harmonious	<i>disharmonious</i>	harmonious	harmonious	harmonious
Technology	<i>disharmonious</i>	harmonious	harmonious	<i>disharmonious</i>	harmonious	harmonious
Raw materials / energy / suppliers	harmonious	harmonious	harmonious	<i>disharmonious</i>	harmonious	harmonious
Human resources	harmonious	<i>disharmonious</i>	harmonious	harmonious	harmonious	harmonious
Competitor's activities	harmonious	harmonious	harmonious	harmonious	harmonious	harmonious
Legislation	harmonious	<i>disharmonious</i>	<i>disharmonious</i>	harmonious	harmonious	<i>disharmonious</i>

Table 34: Synchrony of the perceptions of external factors' impact on Avionics Division's and Installation Division's focal relationships.

impact. This may be due to the nature of the relationship; if the customer understands resources to mean their own, and if they use the supplier's services only when they are short of labour, then it is understandable that human resources are a bigger issue for them than for the supplier. Concerning legislation, the supplier perceived it to have a major impact on the relationship while the customer saw it as having a minor impact.

In the relationship with NBI (A3), the customer respondent's view was that the supplier's other relationships have a critical influence on the focal relationship while the customer's other relationships have a minor impact on the relationship. This is understandable due to the nature of the customer. On the other hand, because of the respondent's role as sales manager in the supplier division, he cannot be expected to perceive all the connections and effects that the relationship may have. Thus, he may be considered an operative-level person even though in most situations he may be a decision-maker.

Concerning financial markets, the supplier perceived them as having a major impact while the customer perceived them as having only a minor impact on the relationship. The same difference of perceptions occurred with legislation.

In the installation industry, the supplier representative in the relationship with Kyro (B1) perceived the customer's other relationships as having a major effect on the focal one, while the supplier's other relationships, in the customer's view, had no impact at all. The customer perceived other suppliers as having a moderate impact, which the supplier did not see. This may be explained by the projects in which the supplier participates as one of many actors. Different suppliers are working together on the customer's premises and thus, the customer's relationships with other actors, in addition to the focal supplier's relationships with them, affect the focal relationship.

In the relationship with Neste (B3), the supplier perceived that their other relationships have a major effect on the focal relationship while the customer perceived that other relationships of their own company have only a minor impact. However, in this relationship, the customer may compete with the supplier on a project ordered by another unit of the customer's company. The relationship parties differed in their perceptions of the impact of legislation on the relationship. In the supplier's mind, legislation has a major effect, while in the customer's mind it has only a minor influence on the relationship.

In the relationships with Esso (C1) and Teboil (C2), differences within the supplier party occurred in perceptions of the influence of the company's own relationships on customer relationships. The product manager perceived a minor impact while the others perceived a major impact. The maintenance manager felt that financial markets have no effect on focal relationships while the others assessed that they have a moderate impact. Concerning technology, the maintenance manager perceived it as having a critical influence, the product manager a moderate influence, and the sales manager a major influence. The effect of competitors' activities was evaluated as follows: a minor impact according to the manager of maintenance, a moderate impact according to the

Evaluation synchrony						
Object	C1	C2	C3	D1	D2	D3
Other relationships of own company	dissonant	<i>disharmonious</i>	harmonious	harmonious	harmonious	<i>disharmonious</i>
Other relationships of the other party	harmonious	<i>disharmonious</i>	<i>disharmonious</i>	harmonious	harmonious	harmonious
Financial markets	dissonant	dissonant	harmonious	harmonious	harmonious	harmonious
Technology	<i>disharmonious</i>	<i>disharmonious</i>	harmonious	harmonious	harmonious	<i>disharmonious</i>
Raw materials / energy / suppliers	dissonant	dissonant	harmonious	harmonious	harmonious	<i>disharmonious</i>
Human resources	dissonant	harmonious	<i>disharmonious</i>	harmonious	harmonious	harmonious
Competitor's activities	<i>disharmonious</i>	<i>disharmonious</i>	harmonious	harmonious	harmonious	harmonious
Legislation	dissonant	dissonant	harmonious	harmonious	<i>disharmonious</i>	harmonious

Table 35: Synchrony of the perceptions of external factors' impact on Service (Petrol) Station Systems Division's and Special Systems Division's focal relationships.

sales manager, and a major impact according to the product manager. The diffusion of the evaluations on legislation was wide; the manager of maintenance saw no impact, the sales manager assessed the influence as being critical, and the product manager saw a minor effect.

In Esso (C1), the department manager saw the financial markets as not affecting the focal relationship while the buyer and the co-ordinator evaluated that they have a minor and a major impact respectively. The effect of other suppliers was evaluated as being minor by the department manager, as moderate by the co-ordinator, and as major by the buyer. An additional difference of opinion concerned legislation; the co-ordinator saw a major impact while the others considered the impact to be minor.

Teboil's (C2) representatives evaluated the focal relationship differently. Evaluations of the impact of the company's other relationships were disharmonious, varying from minor to major impact. The impact of financial markets was considered major by the development director, minor by the project manager, and non-existent by the buyer. Also, evaluations of the influence of other suppliers varied from minor to major.

In the relationship with SEO (C3), the supplier perceived the bistomer's other relationships as having a major impact while in the bistomer's view the supplier's other relationships have no effect on the focal relationship. The bistomer did not perceive human resources as having any impact, while in the supplier's view there is a moderate impact.

In the relationship with Merita (D2), only the role of legislation was evaluated differently. The customer considered it as having a major impact while the supplier perceived no impact at all. In the relationship with OKO (D3), the customer perceived that the other relationships of the company have a major impact on the focal one and that technology has a critical impact, which the supplier evaluated as being moderate.

In addition to these categorised factors, customer representatives noted that factors such as personal relationships, trust, and professional skills also affect the focal relationships. In some relationships the key people have fairly similar evaluations of the factors and characteristics — both external and internal — that have been labelled in the marketing literature as important for business relationships. Furthermore, it can be expected that evaluations of the more concrete objects identified in the study differ, depending on the evaluator. To overcome these differences, issues have to be discussed and negotiated between relationship parties.

6.5 Bargaining

6.5.1 Concepts of Bargaining and Negotiation

Actors engaging in a relationship not only have expectations concerning mutual interests but also concerning diverse, and in some respects even adverse,

interests. To the extent that interests are diverse, parties tend to be indifferent to the interests of the other. Bargaining and negotiation are means for overcoming indifference or reconciling conflict.

Bargaining has been a concern of many social disciplines. There are plenty of game-theory and economic models of bargaining (e.g. Neumann and Morgenstern 1944, 1947; Pen 1952; Nash 1953; Luce and Raiffa 1957; Schelling 1960; Rapoport and Chammah 1965, Rapoport 1966; Nicholson 1967; Cross 1969; Harsanyi 1986). Young (1975) states that economic models differ from game-theory models in many ways. First, they are relatively specific in substantive terms, in contrast to game-theory's attempts to develop a general theory of interdependent decision-making. Second, they do not deal with zero-sum or mixed-motive situations; their focus is on interactions in which there are a number of possible outcomes. Third, the economic models are dynamic and focus on the bargaining process as well as on the ultimate outcome of bargaining, while game-theory models are mainly static and concentrate on the ultimate distribution of payoffs among participants. Finally, economic models tend to emphasise the formation of expectations about the behaviour of relevant other(s); this is in contrast to game-theory models which either stress conditions that allow players to make accurate predictions concerning the behaviour of the relevant other(s), or stress characteristics of a permissible solution that is sufficient to yield determinate outcomes.

Although dynamic, economic models do not allow for the participation of collective or corporate entities in negotiations (for exceptions, see Cross 1969). Collective bargaining has been studied in the context of industrial relations. Industrial relations encompass all the aspects of employment relationships, and researchers in this area draw on a wide variety of theories and data from economics, history, law, political science, international studies, and the behavioural sciences.

According to Beaumont (1992: 96), collective bargaining has the following (inherent) features:

1. The parties are not engaged in one-off transactions and hence must continue to interact over the course of time (i.e. there is a mutual interest in the survival of the basic relationship).
2. The issues being negotiated are multiple in nature, hence the possibility of trade-offs among individual, negotiating items.
3. The different interests, and hence potential conflict, involved in the bargaining relationship are not simply inter-personal in nature, because the bargainers are organisational representatives (i.e. there is a likelihood of inter-role conflict).
4. The parties in the relationship are likely to have internal differences (in matters of strategy, tactics and priorities) among their constituent members (i.e. there is a likelihood of intra-organisational conflict).

On the basis of the empirical evidence in this study, bargaining in industrial supplier-customer relationships seems to have all the features identified above.

Thus, this approach can be adapted to research on industrial supplier-customer bargaining.

The most important conceptions of bargaining, as well as the major bargaining theories, describe it as a means (though not the only one) through which purposeful actors can reach specific settlements or outcomes under conditions of strategic interaction or interdependent decision-making. Young (1975: 5) defines bargaining as a means by which two or more purposive actors arrive at specific outcomes in situations in which: (1) the choices of the actors will determine the allocation of some value(s), (2) the outcome for each participant is a function of the behaviour of the other(s), and (3) the outcome is achieved through negotiations between or among the players.

Dwyer, Schurr and Oh (1987: 16) state: "Bargaining is defined as the process whereby in the face of resistance parties rearrange their mutual distributions of obligations, benefits and burdens".

Nicholson (1967, reprinted in Young 1975: 233) defines bargaining as any process by which two or more parties come to some arrangement so that their acts become consistent. This arrangement is brought about solely by the parties involved in the conflict and they do not follow procedures which alone will determine the results of the bargain (for instance, the settlement of a dispute by legal means in a law court).

In his work, Alderson (1957) uses the term *negotiation* to describe the same phenomenon that other writers refer to as *bargaining*. He defines negotiation as the means of relating two systems to each other (ibid., 130). According to Alderson, negotiations can be seen as continuous adjustment among power centres, (business firms, national governments or labour unions), as a process of building a system of action, and as a means of solving conflicts. A bargain is an outcome of negotiations. No bargain, however, is expected to last forever. Any arrangement between independent organised behaviour systems is just a tentative and temporary arrangement.

In recent marketing theory, negotiation is by no means a non-researched area. Negotiations have been a concern of many scholars (Nierenberg 1968, 1986; Coffin 1973; Cellich 1990, 1996; Kapoor, Hansen and Davidson 1991; Johnson 1993; Graham, Mintu and Rodgers 1994; Lewicki, Litterer, Minton and Saunders 1994; Herbig and Gulbro 1997). For example, the following definitions of the large concept of negotiation have been presented by scholars:

Whenever people exchange ideas with the intention of changing relationships, whenever they confer for agreement, they are negotiating. (Nierenberg 1968: 2)

...the process by which at least two parties try to reach an agreement on matters of mutual interest. (Herbig and Gulpro 1997: 158)

According to Young's (1975) definition, bargaining always concerns values³⁷. For Dwyer, Schurr and Oh (1987) and for Nicholson (1967), the starting points of bargaining are the opposing interests of the parties. In Nicholson's definition, the outcome of bargaining is mutual understanding and collaborative actions that, according to Alderson, are temporary.

On the basis of the definitions above, the definition of bargaining used in this study is the following:

Bargaining is an intercommunicative process where the values of the parties are adapted through negotiations to create an outcome for the parties.

The values of the bargaining parties include the basic values of the actors and the situational values perceived by the parties during the bargaining. The outcome of the bargaining process may, depending on the situation, strengthen or weaken the mutual relationship(s) of the parties. For instance, the outcome of the commercial bargaining process in a competitive situation usually strengthens, at least temporarily, the relationship between the supplier(s) and the customer. In a conflict situation, the optimal outcome may be a termination of the parties' interaction.

6.5.2 Analysing Bargaining

In supplier-customer relationships, bargaining is essential. According to Alderson (1957: 136), "a good bargain is one in which both parties are genuinely better off than they were before. It is entirely feasible for this to happen because each side is giving up something which is more important and useful to the other side."

Rubin and Brown (1975) have discussed bargaining relationships as well as the social, physical, and issue components of the bargaining structure. In marketing channels, Dwyer and Walker (1981) have done experimental research studying commercial bargaining in an asymmetrical power structure. They examined variables of a bargaining process such as initial bid, amount yielded, number of offers, message content, communications frequency, individual profits, joint profits, and post-bargaining attitudes. Ganesan (1993) has presented a conceptual model of the negotiation process and its outcomes. He uses such variables as relative power; retailers' long-term orientations; level of conflict on

³⁷The concept of value is widely discussed in relationship marketing (e.g. Nilson 1992; Jüttner and Wehrli 1994; Raval and Grönroos 1996; Grönroos 1997). According to the Penguin Dictionary of Economics (Bannock, Baxter and Davis 1987: 415), value is "the worth of something to its owner. Two concepts of value have been distinguished in economics. The first is value in use - the pleasure a product actually generates for its owner; the second is value in exchange - the quantity of other commodities (or, more usually, money) a product can be swapped for. Water, for instance, has high value in use, but low value in exchange". The history of the value concept is presented by Wilson and Jantrania (1994).

important and unimportant issues; retailers' use of problem-solving strategy, compromise strategy, and aggressive strategy; retailers' concessions on important and unimportant issues; and retailers' satisfaction with negotiations. The concepts of the model do not cover all the aspects of industrial bargaining because it addresses only one level of bargaining.

Collective bargaining is the most general mode of bargaining in industrial supplier-customer relationships. Depending on the product or service, commercial bargaining may, however, occur between only two people (see e.g. Evans 1963). Even in those cases, the intercommunicating individuals represent their organisations or principals, and the outcomes of the negotiations affect other actors one way or another. In this broad sense, bargaining is always collective.

In their model of collective bargaining, Kochan and Katz (1989) identify such elements as the bargaining actors, the bargaining structure, the bargaining process, and the bargaining outcomes. Modified from this model, a conceptual model of dyadic business bargaining is introduced below and depicted in Figure 14.

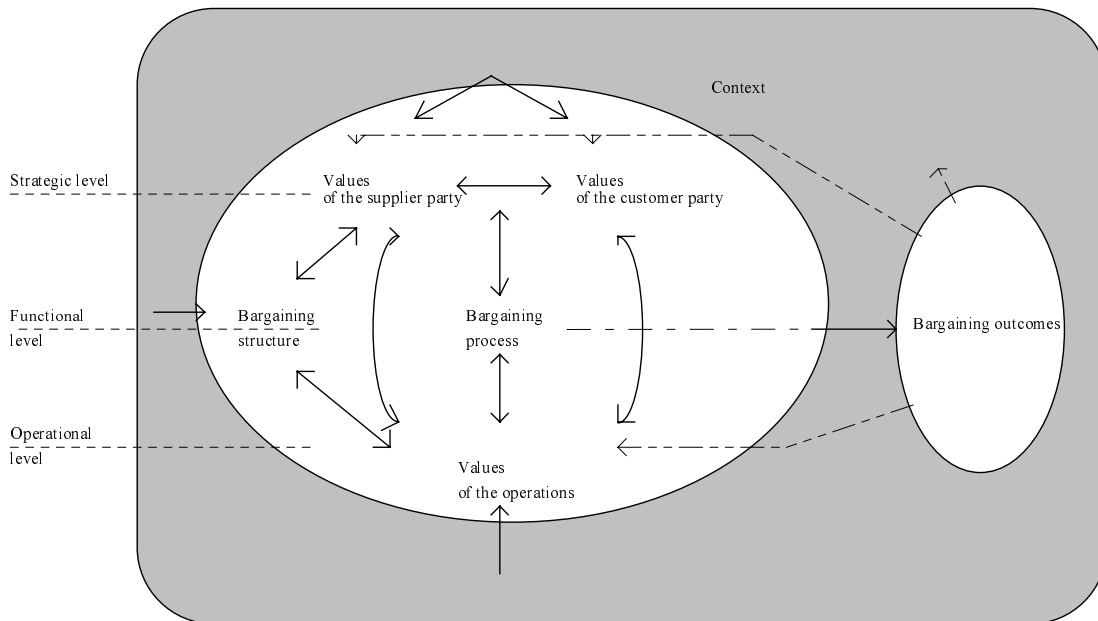


Figure 14: Conceptual model of dyadic business bargaining.³⁸

Bargaining in a dyadic business relationship includes three key actors: *the supplier, the customer, and the operations*. The supplier and the customer encompass the technical and commercial decision-maker units, while the operations include the operational units involved in the focal relationship. Depending on the type of bargaining, the decision makers may vary from top

³⁸ While studying a more complex bargaining situation with many suppliers, for example in projects, the interaction between suppliers must be taken into account too.

executives to supervisors. In the bargaining over a trade, the decision makers are technical experts and commercial staff, while in everyday operations, negotiations mainly occur between lower-level managers or supervisors.

The model is driven by the *values* of the actors. The values materialise through the goals, structures, and strategies of the bargaining parties. *Structures and processes* include the modes in which the parties engage to achieve their goals. It is through these structures and processes that the parties intercommunicate and make choices that, together with the forces in context, determine to what extent their goals are met.

In the model, the three-level approach refers to the institutional structure of an industrial supplier-customer relationship (cf. Järvelin and Mittilä 1996). The *strategic level* comprises the values (goals, strategies, structures) and other organisational features that influence bargaining and the external and internal relationships. The *functional level* represents the actual process and results of negotiations. The *operational level* illustrates the activities in which workers, their supervisors and managers engage in administering the outcomes of the bargaining and in adjusting their operations on a daily basis. The three levels exist also in other business relationships; outcomes of negotiations affect the operational level relationships among the supplier and customers as well as among the customer and customers as identified in this study.

Bargaining is driven by goals and expectations of the parties. At a strategic level, Alderson (1957) has identified several objects of negotiation – these may include the buying and selling of a company, its plants, or equipment; quantities of goods to be delivered afterwards; or a supply contract of goods or services. Alderson also identifies negotiations which concern the potential for future transactions. For example, a customer or a customer looking for a certain type of goods or services may hold preliminary discussions with several firms in the course of investigating sources. These negotiations may be considered as starters of business relationships.

Bargaining at the operational level involves objects that differ from those at the strategic level. Negotiations may concern delivery times; interpretation of agreements, contracts and technical instructions; issues of personal interaction; allocation of labour forces, etc.

In industrial many-headed supplier and customer relationships, multiple interests may affect the bargaining. In addition to the goals of organisational parties, the people involved in the relationship bring their own goals, expectations and aspirations. Furthermore, society has interests that may affect the bargaining in a focal relationship.

In its broadest sense, the structure of bargaining outlines the arena in which actors are expected to interact, negotiate, and solve problems. Traditionally, bargaining structure has been defined as the scope of the actors covered or affected by the bargaining agreement. Researchers have identified two specific structures. The formal structure includes the bargaining unit or the negotiation unit, the actors that are legally bound by the terms of an agreement. The informal structure includes the actors that are affected by the results of a negotiated

settlement, either through pattern bargaining or some other non-binding process. (cf. Kochan and Katz 1988)

The structure of bargaining is strongly bound to the contextual factors of the relationships. The regulations and instructions of bargaining vary depending on whether the actors represent the public or private sector. Other contexts identified earlier in the study also have their impact on the bargaining structure. In the focal relationships, previous joint agreements may dictate the structure of further bargaining.

The actual bargaining process is at the functional level of the model. Driven by the structure of bargaining, the bargaining process includes negotiations between and among the parties as well as choices made by the bargaining parties. Ståhl (1972: 15) has defined a 'bargaining process' as "a process by which the parties involved exchange a number of bids for the purpose of reaching an agreement".

Walton and McKersie³⁹ (1965) have argued that a collective bargaining relationship typically involves four basic sub-processes of bargaining:

1. *Distributive* bargaining, which involves conflict, with one party seeking to achieve gains at the expense of the other. In this particular sub-process a key determinant of the processes involved and outcomes achieved will be the relative bargaining power.

2. *Integrative* bargaining, which seeks to ensure mutual gains in areas where the parties have common interests. This particular joint problem-solving orientation will be influenced by factors such as the willingness of the parties to share information and the level of trust between them.

3. *Attitudinal structuring*, which involves attempts to establish and maintain a desired, longer-term working relationship between the two parties. The parties' preferences for a particular pattern or relationship here (i.e. position along the distributive-integrative spectrum) are viewed as a function of overall strategic considerations, contextual factors, personalities and the social beliefs, or the beliefs of the leading representatives of the two parties.

4. *Intra-organisational* bargaining, which involves the process of reconciling and accommodating the different interests within each of the individual parties involved in a bargaining relationship. The nature of these processes will be shaped by factors such as the authority and solidarity of the negotiating teams.

The outcome of the bargaining process may be a one-time solution for a specific problem (e.g. the purchase of a firm, good or service) or it may be a supply agreement leading to a new cycle of bargaining. Usually, the desired outcomes of strategic-level bargaining are written down, while at the operational level, verbal agreements are also made.

³⁹ In Beaumont (1992: 116)

6.5.3 Bargaining in the Focal Relationships

Variety in bargaining depends on the *scope of bargaining*. In the empirical study, four different scopes of bargaining were identified in the focal relationships: technical, commercial, operational, and functional⁴⁰.

Technical bargaining naturally plays a substantial role in the high-tech industry, where it encompasses product design, development, and tailoring. In the case of totally new products or technical services, the product definitions – what the product is – are negotiated together. In ongoing relationships, systems and individual products need modifications to fulfil the changing needs of the customers. For instance, definitions of an improved product require negotiations concerning changes in the software and sometimes in the hardware too.

Once the technical bargaining is settled, or there is a ready product, commercial negotiations – concerning price, time of delivery, responsibilities of the parties (such as guarantees), implementation, training and maintenance – take place. The impact of the organisational structures of the suppliers and customers on the structure of commercial bargaining is evident in the focal relationships. In the aviation industry, as well as in the service (petrol) station systems and among the customers of special systems, buying units negotiate the actual purchases in almost every organisation. In addition, the buyer units in the automation industry are responsible for commercial bargaining. However, the choice of devices and equipment is made by technical experts who, after their decision, pass the task of purchasing on to the official buyers.

Operational bargaining involves the negotiations between the relationship parties or intra-organisational negotiations that relate to the focal relationship in one way or another. Examples of these kinds of negotiations are the sequential meetings during the projects, follow-up meetings for a contract, and minor conflict resolution briefings in daily operations. Furthermore, minor settling of prices, delivery times, faults in the products, etc. can be classified as operational bargaining.

Functional bargaining includes major agreements of collaboration such as the general agreement in the relationship with Finnair (A1) and the maintenance agreement in the relationship with Esso (C1). Furthermore, negotiations on the resolution of major reclamations are usually functional because the outcome of the bargaining may have a strong effect on the future interaction of the relationship parties.

The *bargaining context* has a crucial role in the bargaining structure and the bargaining processes. The ways of acting in certain industries dictate the bargaining – some industries are capital intensive while others may be labour intensive, some industries have long traditions and institutionalised structures while others may be new and/or turbulent. In addition, the mode of bargaining may vary depending on whether the parties of the relationship operate in the

⁴⁰ Functional refers to the function of the holistic relationship while operational refers to the individual operations of the relationship parties either within the relationship or related to it.

private or public sector. If the customers are from the public sector, the initiative to trade always comes from the customer and they do not officially communicate with potential supplier(s) about their needs before their buying decisions. In the private sector, trade may be initiated by both actors. Issues may be discussed more freely, and information about the current situation of the relationship parties as well as future views of the competitive situation, for example, can be exchanged.

The *bargaining structure* encompasses the actors involved in the task and the time and spatial frames of the bargaining. Depending on the context and the scope of bargaining, the elements of the bargaining structure may vary to a large extent. In the focal relationships, the categorising of bargaining actors into technical and commercial was quite clear. In most relationships, technical and commercial negotiators were different people, both on the supplier and on the customer side. In the supplier company, the managing director or the division director or both always sign big deals, even if the managing director did not participate in the commercial negotiations. In the customer organisations, the level of the bargaining unit was at the department level in Finnair (A1), NBI (A3), Merita (D2), and OKO (D3). It was at the company level in Kyro (B1), Tako (B2), Esso (C1), and Teboil (C2), or at the corporate level as in Neste's (B3) case. In the cases of APS (A2) and Police School (D1), bargaining levels are not so easy to identify; in the public sector, the hierarchical levels are different from the levels in the private sector. In SEO's (C3) case, bargaining exists on two levels: first there is commercial (marketing-related) bargaining with the cooperative, and second, there are different kinds of bargaining between the supplier and the buying customers.

The time aspect of bargaining consists of the sequential dimension of the negotiations (how often the parties negotiate), and the continuance dimension (how long the *bargaining process* is). In the focal relationships, all the projects were negotiated separately and equipment and devices were one-time purchases. Maintenance contracts were either bound to time, as in the relationship with Esso (C1) where the parties have a four year agreement, or they were valid for the time being as with Finnair (A1). However, even in the latter case the prices are re-negotiated yearly. The continuance of the bargaining may range from one negotiation to the completion of a whole project. At its extreme, the whole relationship may be seen as a bargaining process. In Holland's (1994: 373) study of the banking sector, the respondent treasurers and bankers regarded relations as a continuous bargaining process.

In the focal relationships, time span of commercial bargaining for projects – from the first contact to the deal – vary considerably and may take from six months to one year. The number of contacts is high and many different versions of the offer may be made. In one case the customer even conducted a new offer competition during the bargaining process. In industrial automation, especially in engineering, a deal worth US\$ 5 million may be negotiated in two weeks. In installation, the average time span is between one and two months. Bargaining on projects with the Defence Forces usually takes close to a year.

Walton and McKersie's (1965) sub-processes of distributive bargaining, integrative bargaining, attitudinal structuring, and intra-organisational bargaining were present in the focal companies' bargaining too. An example of distributive bargaining is commercial negotiations in transactional relationships where price may be the customer's main decision criteria. I would also define commercial bargaining on the dispensers and payment terminals in the relationship with Teboil (C2) as distributive because the customer lets three suppliers compete over the deals.

In most focal relationships, integrative bargaining is the main mode of intercommunication. Functional negotiations with Neste (B3), negotiations for conflict resolution at a strategic level, the simulator definition project with Police School (D1), and negotiations between Finnish banks and the supplier company represent this type of bargaining. Furthermore, operational bargaining in project implementations is integrative. It could be said that integrative bargaining is the typical way of acting in loyal relationships.

Attitudinal structuring of bargaining could also be identified in the focal relationships. In bargaining, the suppliers' contacts with the other party's decision makers in an attempt to positively affect the decision-making is a natural part of the process. Also, formal and informal intercommunication between the supplier company and the representatives of the Defence Forces can be seen as attitudinal structuring. In the cases above, the levels of influence units range from division management to top management, depending on the customer and the scope of the bargaining. A lower-level attitudinal structuring was clearly present in the triadic relationship C3 where the customer's influence on the buying customers was critical.

In the focal relationships with many-headed suppliers and customers, intra-organisational bargaining is an essential part of the relationship. In fact, there is an ongoing interaction between inter-organisational and intra-organisational bargaining. The degree of visibility of intra-organisational bargaining varied in the focal relationships. Budgets that were arrived at through intra-organisational bargaining at some level of the organisation⁴¹ define the amount of trade in the relationships, as do other limits, such as regulations, instructions and contracts. In the relationships with Esso (C1), Teboil (C2), and SEO (C3), the impact of intra-organisational bargaining on daily operations is very visible. On the supplier side, bargaining processes between marketing and selling as well as product development and maintenance are ongoing. On the customer side, intercommunication between service (petrol) station personnel and mother companies also influences intercommunication between the parties of the focal relationships.

⁴¹ The concept of organisation is very broad in this case. In the public sector, Parliament is the decision-maker unit that allocates the financial resources to the focal customers.

6.5.4 Commercial Bargaining Process

Due to the marketing focus of the study, a deeper analysis of *bargaining processes* can only be made for commercial bargaining.⁴² Below, a commercial bargaining process based on the empirical evidence is introduced. It is depicted in Figure 15.

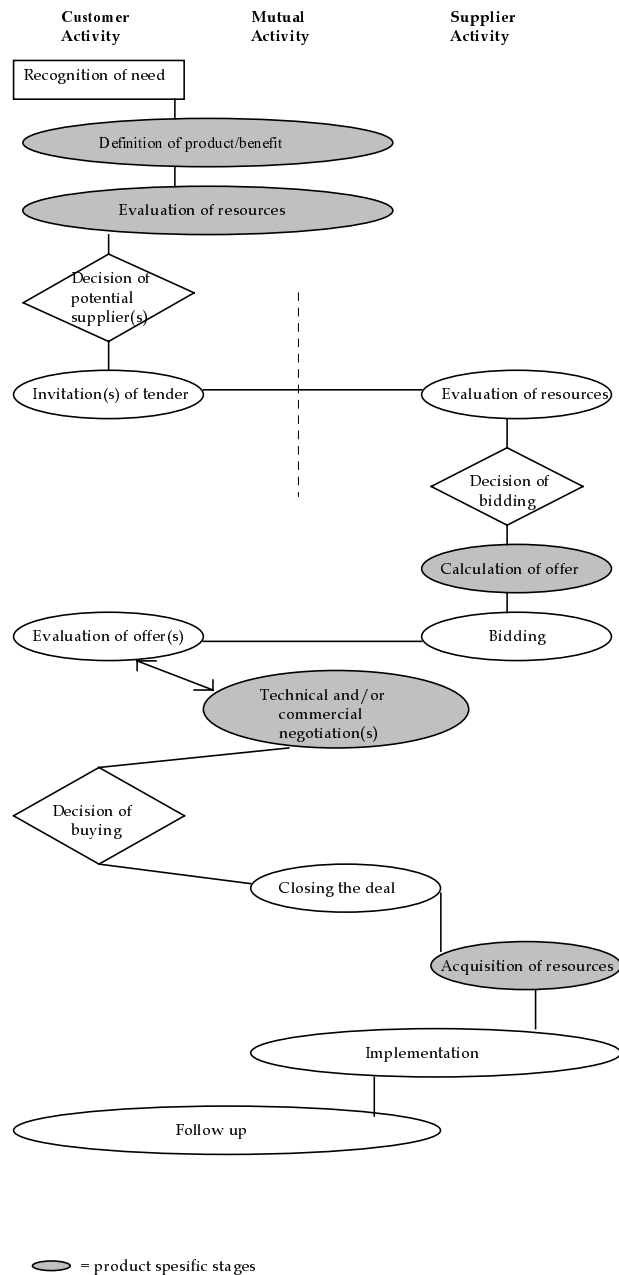


Figure 15: Commercial bargaining process.

⁴² Räsänen (1994) has presented a model of the customer's buying process for high-tech system products.

The commercial bargaining process is usually initiated by the customer party. However, there are products that are sold on the suppliers' initiative. Depending on the scope of bargaining, the first step is either an invitation for tender or an inquiry of the supplier's potential to serve the buyer. For instance, the Service (Petrol) Station Systems Division receives plenty of invitations for tenders from abroad without any earlier contact. In other cases, when the bargaining is for a standardised good or service, an invitation for tender is usually the first step.

In the Installation Division, the bargaining process in bigger projects starts with the customer's project manager's contact and a discussion of the contemporary resources of the potential suppliers. In the branch, the usual way to buy a project is in pieces – machinery from one supplier and installation from the other. Thus, the product (the project) must be done in co-operation with many potential suppliers. There are, however, also projects with only one main contractor who makes deals with multiple sub-contractors. After the resource situation in the field is clear to the customer, the formal purchase unit sends the calls for tenders to between three and five potential suppliers for each phase of the project.

In other relationships in which the scope of bargaining is a totally new or tailored product (goods or service), or improvements in the existing product, the product definitions are usually made in collaboration between the customer and the supplier. After that, invitations for tender are requested from one or more potential suppliers.

On the supplier side, the potential for answering the invitations is evaluated, the calculations are made, and then the offerings are made. The time needed for making the offers varies considerably. If suppliers are offering on their own initiative, the first step is the evaluation of resources.

The supplier can make the offer directly, on the phone, or it may take weeks. Once the customer has received the offer, they are evaluated by the purchaser (person or unit). In large companies and for big projects they are evaluated by the purchasing and design units, after which, depending on the customer, potential suppliers may be contacted for further negotiations.

The procedures for handling offerings differ in different organisations. In some companies and public sector organisations, all offers are opened at the same time and purchasing decisions are made on the basis of these offers. In other cases, further negotiations are conducted with one or more potential suppliers to fine-tune the offerings. For instance, in the installation industry two meetings in the bargaining process are concerned with technical issues. In those meetings, technical specifications are fine-tuned with competitors' offerings. After this is settled, the representative of the purchasing unit joins the negotiations, and the financial issues of the project agreement are settled. Thereafter, bargaining about the labour wanted for the project may occur. In trade negotiations, the choice of project manager has never been an issue, but in big projects customers normally have a clear vision of preferred supervisors, installers, tuners, etc. that is based on experience over the years.

In cases where the scope of bargaining is a service agreement as in Esso's (C1) case, negotiations concern such technicalities as maintenance activities, measures for following them, and categorisation and prioritising of faults. These issues are negotiated by the technical experts of both parties, after which the commercial negotiations are conducted at another level.

On the customer side, making a decision about the supplier may require lots of intra-organisational bargaining. Depending on the power balance between the technical and commercial decision makers, technical or financial sides of the deals are emphasised in the company. In some cases, such as Police School (D1) where the outcome of the bargaining process has a wider impact on society, the decision makers also represent other perspectives than the technical or commercial. Accordingly, the elements of decision-making are technical, financial, and societal.

Closing a deal may take place verbally or by a written order or agreement. In many of the focal relationship projects, the implementation of the deal may be underway before the written agreement is even signed and authorised. However, every project deal is documented with an agreement in which the terms of the deal are written down. This is done to avoid future conflicts that might occur with verbal agreements, where the memories and interpretations of the bargaining parties might differ to a large extent. The procedures and documents for the implementation phase of the projects, the operations, are also agreed upon in project contracts.

After closing the deal, the supplier party takes the steps needed to accomplish the promises it has made. In the focal relationships, this phase usually means the production of goods and services. It may include product development or tailoring, or in installation projects, the hiring of labour and producing of materials needed for the installation. In the case of ready products this may involve ordering the product from the manufacturer, etc.

The actual implementation phase includes the fulfilment of mutual promises by the bargaining parties, and in the projects, intercommunication between the parties – negotiations and minor bargaining processes. In this phase, operational bargaining plays a substantial role. In other deals, implementation means the delivery and payment of the object of the trade.

In bargaining, follow-ups to the deals include control and evaluation of the product. This encompasses the guarantees of goods, maintenance of devices and equipment, further product development, etc. Follow-ups may lead to continued interaction and negotiations or to sporadic reclamation bargaining.

In relationships where the scope of commercial bargaining extends to technical systems, there may be multiple and embedded commercial bargaining processes where the *outcome* of one process may be the start of another. The outcomes of commercial bargaining are usually financial agreements which affect the work situation of one or more of the bargaining parties. Furthermore, due to the role of technology in commercial bargaining, outcomes may affect technology and the technical structure of the parties. For instance, the product development needed to fulfil promises given in a bargaining process may, through the learning

process, create new bargaining opportunities for the supplier. In addition, the product created through the bargaining process usually helps the customer in the development of its business. Thus, the outcome of commercial bargaining is an increased business potential for all the parties.

The outcomes of operational bargaining include guidelines for future actions and activities in the daily operations of the focal relationships. These outcomes gradually change the relationships, causing them to become institutionalised. People learn the modes of behaviour that are optimal for intercommunication with their counterparts. The efficiency of the supplier-customer relationship is, to a large extent, an outcome of operational bargaining.

6.6 Dynamics of Context, Evaluation, and Bargaining

Business exists in a turbulent context. To survive, actors continuously evaluate the status quo and the future of existing relationships. This evaluation is focused on the objects within the relationship, in the actor organisations as well as in other contexts. Different bargaining activities are conducted on the basis of the evaluation. The outcomes of these activities are influenced by the context of the focal relationship but they also affect the context. The dynamics of the context, evaluation, and bargaining are visualised in Figure 16. Different bargaining processes are always embedded in evaluation; this evaluation may be formal or informal and it may exist at different levels.

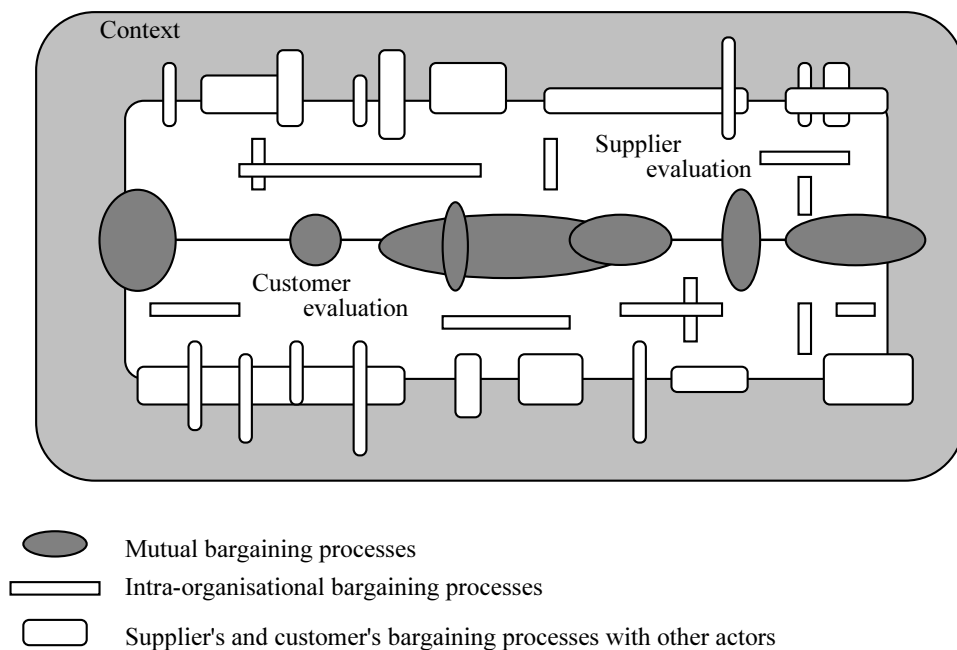


Figure 16: Dynamics of context, evaluation, and bargaining.

Järvelin and Mittilä (1999) have presented a model of the collective evaluation process in an organisational business relationship. It encompasses three stages during which the individual evaluations are synchronised through bargaining in order to gain a collective situational balance. The model is presented in Figure 17. Naturally, it is a simplification of a complex reality where the stages (or levels) interact continuously.

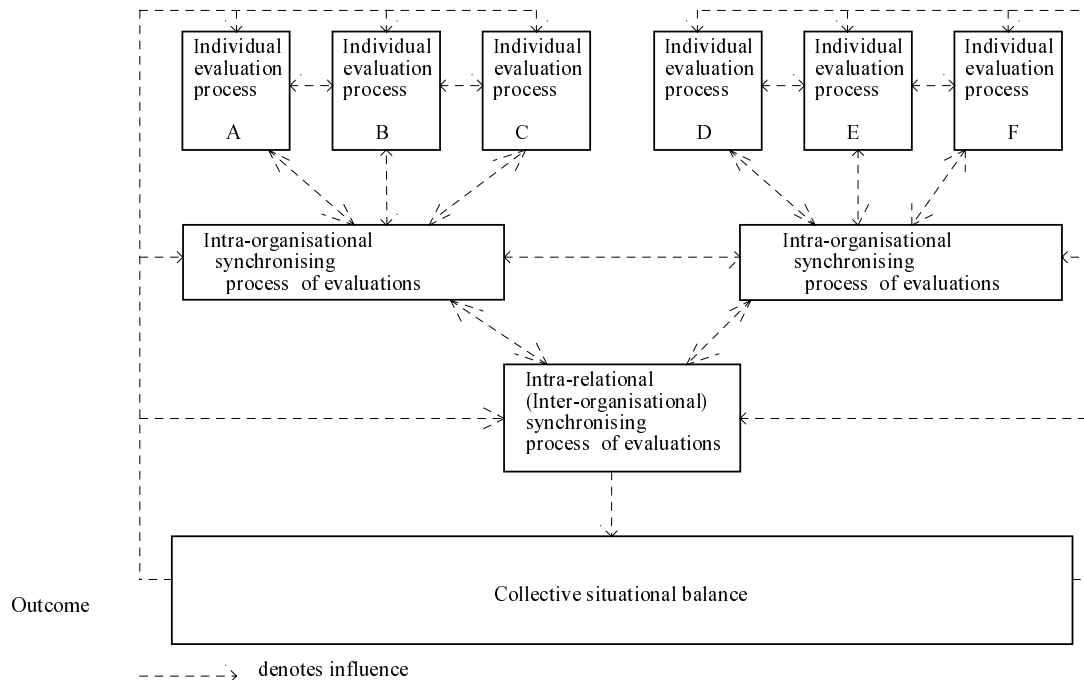


Figure 17: Collective evaluation process in an organisational business relationship. (Source: Järvelin and Mittilä 1999)

Individuals may have diverse perceptions of the relationship they are involved in or of the object in focus, which are formed as a result of individual evaluation. Through bargaining and negotiations, first at the intra-organisational level and then at the inter-organisational level, the different perspectives are synchronised to form a situational balance on the object. In this continuous process, the different elements are in interaction with each other; individual evaluations are affected by other individuals' evaluations, by synchronising processes, and by outcomes, and, in turn, they have an effect on intra-organisational and inter-organisational evaluations and on outcomes.

The impact of context on supplier-customer relationships has been discussed earlier in this chapter. It affects the parties that make the evaluations and choices that, in turn, influence both the focal relationship and the context. When certain potential parties of a relationship actually engage in a transaction, it affects other potential actors by excluding their opportunity.

Evaluation had an impact on both bargaining and context in the focal relationships. In the relationship with NBI (A3), the customer's positive evaluation of the supplier party led to a continuing collaborative relationship and

the supplier began to import devices according to the customer's wishes. In Esso's (C1) case, the customer's evaluation of the supplier and their importance for the customer company has led the customer to change its bargaining mode from a highly contractual to a more open mode in which trust plays a substantial role and issues may also be agreed upon verbally.

An example of the impact of context on bargaining can be identified in the focal relationships of the Installation Division. In the construction industry, the general procedure in bargaining is that informal inquiries concerning the potential of the suppliers are made before sending out the invitations for tenders. Furthermore, agreements are negotiated at a point where plans are still fairly incomplete.

The impact of bargaining on evaluation may be detected at the collective level in formal agreements on the procedures for official mutual evaluation, in other words, measures of outcomes, control, final settlements of projects, time frames of evaluation, etc. At the individual level, bargaining and its outcomes affect the perceived attractiveness of the counterpart and vice versa.

6.7 Conclusions

A synthesis of three primary models – the ARA model based on the work of the IMP Group, with its concepts of actors, resources and activities; the ATC model (attraction, trust, commitment) based on work by Halinen (1994); and the Marketing Equilibrium model, based on the work by Gummeson (1999) and using the concepts of regulations/institutions, collaboration, and competition – is presented at the beginning of the chapter. Thereafter, relationships among the concepts of the aforementioned models are discussed.

On the basis of the study, the concepts of attraction and trust could be seen as sub-concepts of resources or activities, while the concept of commitment could be seen a sub-concept of activities or, on the other hand, as a sub-concept of resources.

Regulations/institutions could be considered as sub-concepts of resources while collaboration and competition could be seen as sub-concepts of activities. Collaboration and competition could also be seen as classified sub-concepts of resources while regulations and institutions could be sub-concepts of activities. Furthermore, it can be argued that the concepts of actors and activities sometimes overlap with the concept of resources. Actors and their activities may sometimes be considered as resources in relationships.

Three additional concepts identified in the primary analysis help us to understand business relations. Of these concepts, context is sub-concept of resources, and evaluation and bargaining are seen as sub-concepts of activities.

As a final result of the study, a *Relation Trine model* using the concepts of context, evaluation, and bargaining is introduced. Each concept is further developed and the *models of contextuality*, *multidimensional evaluation* and

dyadic business bargaining are introduced, in addition to a *commercial bargaining process*.

A supplier-customer relationship is embedded in time, as are the social, political, spatial, technical and economic factors that affect a relationship – both at the organisational and industry level – which became evident in the focal case. Different contexts interact with each other in a dynamic process of existence.

Evaluation is an activity or a series of activities that comprise the formal and informal perceptions of the parties involved, and the assessment of the impact of the perceived object(s) on the focal issue. Evaluation is, to a large extent, based on the comparison (disconfirmation) between a comparison standard and the actual experienced outcome.

In industrial supplier-customer relationships, evaluation usually involves many evaluators. Due to the different roles, experiences, personal characteristics, etc. of the evaluators, their perceptions and assessments regarding a certain relationship or its elements may vary, both inside the parties' organisations and between the relationship parties.

Starting from the division of individual perceptions into positive, neutral and negative, this idea is further developed in the study. Different evaluations may be harmonious, with the parties having the same view of an object; they may be disharmonious, in which case the perceptions and/or assessments differ slightly among the evaluators; or they may be dissonant, with the parties having totally adverse perceptions and/or assessments of the object. The degree of similarity with which the parties perceive the object under scrutiny is – in this study – called *evaluation synchrony*.

Issues concerning evaluation synchrony can be analysed at different evaluator levels. The scope of evaluation usually dictates which roles the different people involved in a relationship play. In evaluation, the object may be the whole relationship or certain aspects of it. Depending on the importance of the object under scrutiny, the weight of individual evaluations may vary. Analysis using the model of multidimensional evaluation revealed the variety of individual evaluations. In many-headed relationships, different evaluations can create a potential for conflict if people do not communicate with each other.

Bargaining is an intercommunicative process where the values of the parties are adapted through negotiations to create an outcome for the parties. The values of the bargaining parties include the basic values of the actors, and the situational values perceived by the parties during bargaining. The outcome of the bargaining process may, depending on the situation, strengthen or weaken the parties' mutual relationship(s). For instance, the outcome of the commercial bargaining process in a competitive situation usually strengthens, at least temporarily, the relationship between the supplier(s) and the customer. In a conflict situation, the optimal outcome may be a termination of the parties' interaction.

Collective bargaining is the most general mode of bargaining in industrial supplier-customer relationships. Depending on the product or service, commercial bargaining may, however, occur between only two people, although even in such cases the intercommunicating individuals represent their

organisations or principals, and the outcomes of the negotiations affect other actors one way or another. In this broad sense, then, bargaining is always collective.

A *conceptual model of dyadic business bargaining* is introduced in this chapter. Bargaining in a dyadic business relationship involves three key actors: *the supplier, the customer, and the operations*. The supplier and the customer encompass the technical and commercial decision maker units while the operations include the operational units involved in the focal relationship. The model is driven by the *values* of the actors. Values materialise through the goals, structures, and strategies of the bargaining parties. *Structures and processes* include the modes in which the parties engage to achieve their goals. It is through these structures and processes that the parties intercommunicate and make choices that, together with the forces in context, determine to what extent their goals are met.

In the model, the *strategic level* comprises the values (goals, strategies, structures) and other organisational features that influence bargaining and the external and internal relationships. The *functional level* represents the actual process and results of negotiations. The *operational level* illustrates the activities in which workers, their supervisors and managers engage in administering the outcomes of bargaining and in adjusting their operations on a daily basis.

The commercial *bargaining process* was elaborated upon in this chapter. There are products and markets where the supplier's active role and initiation is the general mode of function. In the focal relationships, the commercial bargaining process is usually initiated by the customer party. Depending on the scope of bargaining, the first step is either an invitation for tender or an inquiry of the supplier's potential to serve the customer. When the scope of bargaining is a totally new or tailored product (goods or services), or improvements in the existing product, the product definitions are usually made in collaboration between the customer and the supplier. After that, invitations for tender are requested from one or more potential suppliers.

On the supplier side, the potential for answering the invitations is evaluated, calculations are made, and then the offerings are made. Once the customer has received the offer, they are evaluated by the purchaser (person or unit). In large companies, and for big projects, they are evaluated by the purchasing and design units, after which, depending on the customer, potential suppliers may be contacted for further negotiations.

On the customer side, making a decision about the supplier may require a great deal of intra-organisational bargaining. Depending on the power balance between the technical and commercial decision makers, the technical or financial sides of the deal are emphasised in the company. In cases where the outcome of the bargaining process has a wider impact on society, the decision makers also represent perspectives other than the technical or commercial. Accordingly, the elements of decision-making are technical, financial and societal.

Closing a deal may take place verbally or by a written order or agreement. After closing the deal, the supplier party takes the steps needed to accomplish the

promises it has made. The actual implementation phase includes the fulfilment of mutual promises by the bargaining parties and, in the projects, intercommunication between parties – negotiations and minor bargaining processes. In this phase, operational bargaining plays a substantial role. In other deals, implementation means the delivery and payment of the object of the trade.

In bargaining, follow-ups to the deals include control and evaluating the product. This encompasses the guarantees of goods, maintenance of devices and equipment, further product development, etc. Follow-ups may lead to continued interaction and negotiations or to sporadic reclamation bargaining.

In relationships where the scope of commercial bargaining extends to technical systems, there may be multiple and embedded commercial bargaining processes where the *outcome* of one process may be the start of another. The outcomes of commercial bargaining are usually financial agreements that affect the work situation of one or more of the bargaining parties. Furthermore, due to the role of technology in commercial bargaining, outcomes may affect technology and the technical structure of the parties. For instance, the product development needed to fulfil the promises made in a bargaining process may, through the learning process, create new bargaining opportunities for the supplier. In addition, the product created through the bargaining process usually helps the customer in the development of its business. Thus, the outcome of commercial bargaining is increased business potential for all the parties.

Business exists in a turbulent context. To survive, actors continuously evaluate the status quo and the future of existing relationships. This evaluation is focused on the objects within the relationship, in the actor organisations as well as in other contexts. Different bargaining activities are conducted on the basis of the evaluation. The outcomes of these activities are influenced by the context of the focal relation but they also affect the context. Different bargaining processes are always embedded in evaluation; this evaluation may be formal or informal and it may exist at different levels.

Individuals may have diverse perceptions of the relationship they are involved in or of the object in focus, which are formed as a result of individual evaluation. Through bargaining and negotiations, first at the intra-organisational level and then at the inter-organisational level, the different perspectives are synchronised to form a situational balance on the object. In this continuous process, the different elements are in interaction with each other; individual evaluations are affected by other individuals' evaluations, by synchronising processes, and by outcomes, and in turn they have an effect on intra-organisational and inter-organisational evaluations and on outcomes.

As regards the relevance of conceptual models in studying supplier-customer relationships, it may be concluded that new perspectives on industrial supplier-customer relationships could be found and studied, both in theory and in practice, using the Relation Trine model.

7 A DISCOURSE ON RELATIONSHIPS: TERMS AND THE PHENOMENA

7.1 Introduction

Over the course of the research process I was bothered by the meanings offered for the concept of *relationship*. In the contemporary theoretical literature, many definitions of relationship marketing and relationships' characteristics have been presented (see e.g. Järvinen 1998: 63-74; Tähtinen 1999: 46-69). The terms of *relation* and *relationship* seem to be used as synonyms. Accordingly, I became interested in the ways that marketing theory has addressed this issue.

According to Håkansson and Snehota (1995), the notion of 'relationship' may be difficult to grasp. They tentatively define a relationship as a mutually oriented interaction between two reciprocally committed parties. A relationship develops over time as a chain of interaction episodes - a sequence of acts and counteracts.

Research on the processes that relate to the development of a relationship has drawn heavily on the social exchange theory of Thibault and Kelley (1959). The research has highlighted the motivational investments of parties in a relationship and their perception of expectations, attraction, trust, commitment, and satisfaction (Anderson and Narus 1984, 1990; Wilson and Mummala 1986; Dwyer et al. 1987; Halinen 1994; Morgan and Hunt 1994; Lehtinen and Mittilä 1995; Liljander and Strandvik 1995).

Another approach to inter-organisational relationships is provided by researchers who have shown how exchange conditions affect relationships. These studies are based primarily on the organisational dependence theory of Pfeffer and Salancik (1978) and the transaction cost theory of Williamson (1985). Campbell (1985) and Möller and Wilson (1988, 1995) have argued that the character or mode of a focal relationship is dependent upon a complex set of factors that are related to the products, the actors, the organisations, and the industry.

In the phenomena, the concepts of relationships, interaction, exchange and networks are intertwined. Relationships are parts of complex interacting networks and a network may constitute an exchange relationship. Therefore, a short review of how interaction, exchange and networks are discussed in the literature is presented before focusing on relationships.

7.2 Interaction and Exchange

The phenomenon of interaction is universal; it underlies all systems, including business. In the marketing literature, the phenomenon has been addressed by the

terms of interaction and exchange. In the research on interactive marketing, the concept of interaction has been defined as a sequential range of activities needed to fulfil a transaction. The concept of exchange has, in turn, been a concern of some scholars and will be discussed next.

Alderson (1965) was one of the first marketing scholars to propose exchange as a foundation for 'a partial theory of marketing'. In essence, the Law of Exchange specifies the conditions under which exchange may occur (Bagozzi 1974: 77). According to this law, the exchange objects have to differ from each other and the exchange has to add potency for each party of exchange. To utilise the potency of exchange created by the Law of Exchange, actors have to communicate or relate to each other. This relation may be short-term or long-term, depending on the scope of exchange.

Marketing is fundamentally a discipline of exchange behaviour based on an interaction process between social actors (cf. Kotler 1972 and Bagozzi 1974, 1975). Significantly, marketing exchanges harbour meanings for individuals that go beyond the mere use of media for obtaining results in interactions. The new paradigm, relationship marketing, emphasises the psycho-social nature of marketing.

Interaction and exchange are fundamental. Man is an information seeker and generator as well as an information processor. Accordingly, human behaviour is more than the outward responses or reactions of people to stimuli. Man not only reacts to events or the actions of others but he self-generates his own acts (cf. e.g., Harré and Secord 1973). His behaviour is purposeful, intentional, and motivated.

As business people, consumers, and private citizens we are surrounded by exchange relationships. Exchanges occur when many individuals, groups, and firms pursue their own self-interest. Exchange is more than the mere transfer of a product or service for money. To be sure, most marketing exchanges are characterised by such a transfer. But the reasons behind the exchange lie in the social and psychological significance of the experiences, feelings, and meanings of the parties in the exchange.

The grounds for exchange theories vary. For example, the theories of Frazer (1919), Blau (1964) and Homans (1974) are based on an individualistic assumption of self-interest. Adam Smith already referred to this issue by talking about an 'invisible hand' (cf. Nord 1974). The exchange tradition developed by Lévi-Strauss is built on social, collective assumptions associated with generalised exchange. In this tradition the concept of totality is fundamentally bound with exchanges or, according to Lévi-Strauss, communication. The concept of communication enables the same method to be applied to studying systems of kinship, economics and linguistics (cf. Lévi-Strauss 1967: 369-408). According to Lévi-Strauss, exchange is neither empirical reality that can be subjectively observed nor any functional institution that can be explained by its elements. It is a synthesis immediately given to, and given by, symbolic thought, which, in exchange, as in any other form of communication, surmounts the contradiction inherent in it. That is the contradiction of perceiving things as elements of

dialogue, in respect of self and others simultaneously, and destined by nature to pass from the one to the other (Lévi-Strauss 1987: 58-59). Consequently, exchange is both the object and the subject of symbolic thinking.

Within the exchange paradigm in marketing, exchanges have been described mainly by tangible objects that are changed, and have been explained through the utilities of the parties coming together. To better understand the nature of interaction and exchange, I will next outline the dimensions of exchange and discuss the meanings of exchange from a broader perspective than traditionally in marketing. In relationship marketing we have to consider both individualistic and collective aspects of exchange. Relationship marketing goes beyond the basic notions of customer satisfaction and retention by ensuring the integration of buyer and seller behaviour, achieved through the development of linkages at various levels (Kotler 1992). Actually, it goes beyond the dyad of buyer and seller by taking into account the whole network of stakeholders. Long-term relationships established between various exchange partners result in both structural and social bonding, or integration. (cf. Madhavan et al. 1994). Especially in consumer marketing, the self-interest aspects and the human needs are an important issue.

Dimensions of Interaction and Exchange

In Table 36 I have divided exchange into four dimensions: systems, media, types and meanings. Besides behavioural *systems of exchange* we can distinguish both technical and mixed interactions in business. For example, the computer systems of suppliers and customers can be connected to each other in order to initiate and execute purchase decisions automatically. As for exchanges between humans and non-humans, we are familiar with automatic gasoline stations, banking services, etc.

Social actors satisfy their needs by complying with, or influencing the behaviour of, other actors. They do this by communicating and controlling the *media of exchange*, which in turn, comprise the links between one individual and another, between one organisation and another. These vehicles include money, persuasion, punishment, power (authority), inducement, and the activation of normative or ethical commitments (cf. Emerson 1962; Parsons 1963). Products and services are also media of exchange (Bagozzi 1975: 35).

To illustrate the multivariate nature of media in marketing exchanges, consider the example of the complex network. The firms are engaged in an interrogate social system of behavioural relationships that goes well beyond the visible exchange of core products and money. Each firm may influence the degree of collaboration and compliance of its partners by offering inducements in the form of services, deals, and other benefits, or by persuading each link that it is in its own best interest to collaborate. A firm may also affect the behaviour or decisions of partners, customers or clients through the use of power or control over resources it has access to. Finally, a firm may remind a delinquent member

of the network of their contractual obligations or even threaten the member with legal action for a breach of agreement. This influence medium is known as the activation of commitments (Bagozzi 1975: 35). Marketing literature also offers such media of exchange as image, information, values and trust (see e.g. Frazier et al. 1988; Beach 1990; Christopher et al. 1991; Morgan and Hunt 1994).

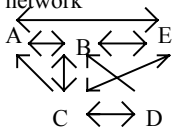
EXCHANGE			
Systems	Media	Types	Meanings
Behavioral among humans Organized Organizational Economical Social Individualistic Economical Social Psychological Technical among nonhumans Organizational Mechanical Electric Mixed between humans and nonhumans Person - organization Person - technical instrument	Core product (good or service) Money Materialized services Technics Service Information Persuasion Punishment Inducement Language Trust Power (authority) Value Image Activation of normative or ethical commitments	Restricted dyads $A \leftrightarrow B$ Generalized min. 3 actors $A \rightarrow B \rightarrow C \rightarrow A$ Complex chain $A \leftrightarrow B \leftrightarrow C$ circular $A \leftrightarrow B \leftrightarrow C \leftrightarrow A$ network 	Utilitarian tangible objects Symbolic intangible objects Mixed both tangible and intangible aspects rational essential for maintaining and enhancing the system extravagant nonproductive, sometimes destroying

Table 36: Dimensions of Exchange. (Source: Mittilä 1995)

A powerful medium of exchange is language. To the extent that words have become common property and their signifying function has supplanted their character as values, language, along with scientific civilisation, has helped to impoverish perception (cf. Köhler 1937) and to strip it of its affective, aesthetic and magical implications, as well as to schematise thought (Lévi-Strauss 1969: 496).

In the 'moments of truth', not only the spoken language but also the body language, or signals in the terms of Cassirer (1933), play an important role in human interaction. Body language is often unconscious to oneself. However, by consciously utilising his own and by reading the body language of the others, a marketer has a powerful tool to efficiently influence the partners of the exchange. (For more about body language see e.g. Fast 1981; Atkinson 1984)

According to Bagozzi (1975) there are three *types of exchange*: restricted, generalised, and complex. *Restricted exchange* refers to two-party reciprocal relationships which may be represented diagrammatically as $A \leftrightarrow B$, where " \leftrightarrow "

>" signifies "gives to and receives from" and where A and B represent social actors such as consumers, retailers, salesmen, organisations, or collectives (Ekeh 1974: 50). Most treatments of, or references to exchange in the marketing literature have implicitly dealt with restricted exchanges; that is, they have dealt with customer-salesman, wholesaler-retailer, or other such dyadic exchanges.

Restricted exchanges exhibit two characteristics: First, there is a great deal of attempt to maintain equality. This is especially the case with repeatable social exchange acts. Attempts to gain advantage at the expense of the other is (sic) minimised. Negatively, the breach of the rule of equality quickly leads to emotional reactions. Secondly, there is a quid pro quo (something of value in exchange for something of value) mentality in restricted exchange activities. Time intervals in mutual reciprocities are cut short and there is an attempt to balance activities and exchange items as part of the mutual reciprocal relations (Ekeh 1974: 51-52).

Generalised exchange, introduced by Lévi-Strauss (1969), denotes univocal, reciprocal relationships among at least three actors in the exchange situation. Univocal reciprocity occurs "if the reciprocations involve at least three actors and if the actors do not benefit each other directly but indirectly" (Ekeh 1974: 48 and 50). Given three social actors, for instance, generalised exchange may be presented as $A \rightarrow B \rightarrow C \rightarrow A$, where " \rightarrow " signifies "gives to". In generalised exchange, the social actors form a system in which each actor gives to another but receives from someone other than to whom he gave. This sequence of exchange fails to conform to the usual notions of quid pro quo, but it certainly constitutes a marketing exchange of interest.

The model of a generalised system of exchange necessarily entails a certain circularity, even though this circularity may be simple or complex or assume the most varied forms. Empirical reality is much more flexible. Among all alliance cycles empirically observable, one will find a certain proportion of circular ones, either in the short or long term; others never 'loop' because they 'lose' themselves. All that would be required for the model to remain valid is that the gross number of cycles 'lost' in one sense be approximately equal to the number of those 'lost' in the other, in such a way that, negatively here, the losses balance out with the gains. (Lévi-Strauss 1987: 129)

Complex exchange refers to a system of mutual relationships among at least three parties. Each social actor is involved in at least one direct exchange, while the entire system is organised by an interconnecting web of relationships. (Bagozzi 1975: 33) Perhaps the best example of complex exchange in marketing, according to Bagozzi (1975), is the channel of distribution. Letting A represent a manufacturer, B a retailer, and C a consumer, it is possible to depict the channel as $A \leftrightarrow B \leftrightarrow C$. Such open-ended sequences of direct exchanges may be designated complex chain exchanges. Complex circular exchanges take place when the consumer has a direct mutual relationship with a manufacturer, for example in the case of complaint or mutual information search.

Today, we deal with even more complex exchanges in different networks, which will be discussed in the next section.

Bagozzi (1975) presents three classes of *meanings* in which marketing exchanges may be exhibited. These are utilitarian, symbolic, and mixed. A *utilitarian exchange* is an interaction whereby goods are given in return for money or other goods and the motivation behind the actions lies in the anticipated use or tangible characteristics commonly associated with the objects in the exchange. The utilitarian exchange is often referred to as economic exchange, and most treatments of exchange in marketing implicitly rely on this usage.

Symbolic exchange refers to the mutual transfer of psychological, social, or other intangible entities between two or more parties. Symbol is a general term for all instances where experience is mediated rather than direct; where an object action, word, picture or complex behaviour is understood to mean not only itself but also some other ideas or feelings. Levy (1959) was one of the first marketers to recognise this aspect of behaviour: people buy things not only for what they can do, but also for what they mean. Consequently, exchanges involve predominantly conscious systems of social and economic relationships. They are, however, also present in relatively unconscious systems of human relationships.

Mixed exchange refers to marketing exchanges involve both utilitarian and symbolic aspects, and it is often very difficult to separate the two. Yet, the very creation and resolution of marketing exchanges depend on the nature of the symbolic and utilitarian mix.

7.3 Networks

Complex exchanges have increased during the last decades and research on networks and relationships examines these exchanges. Networks are ‘living’ structures continuously relating actors, activities, and resources to each other. They are always changing, never complete or in equilibrium. The changes are random to a certain extent but there are also some clearly systematic elements. These systematic elements can be traced to two basic network processes. The first is concerned with the way actors combine and recombine activities and resources. The second involves the way in which actors try to control activities and/or resources. The structure and the functioning of the network are at each moment of time defined by the outcome of these two processes. (Håkansson 1992)

The concept of networks emphasises dynamic, individual and interconnected exchange relationships within systems that contain interdependencies of both a complementary and a substitutive nature. It also involves both collaboration and competition among the actors. (Johanson et al. 1994) The network supports mutual collaboration, information, economic exchanges, productivity improvements, quality of life and resource sharing. Networks can distribute information faster, in a more reasonable and energy-saving way than any other process.

We can identify numerous networks in business. From an individual perspective, an *immediate network* consists of our closest task-related colleagues and other actors with whom we interact at the moment. All relationships are

direct in the immediate network. According to Salmi (1995), a collective level *focal net(work)* is the net(work) of direct or indirect inter-organisational relationships that the focal firm perceives as affecting its focal business. At the individual level, for instance, a salesman may identify individuals from his own company's marketing department, production, product development and maintenance service as well as from the buying group of the customer. To accomplish a transaction, individuals who deliver the sold goods or service and invoice it also take part in the network needed for that transaction. Wider networks of an individual are *intra-organisational networks* at department, division, company and corporate levels. Individuals may also have *infrastructural networks* both within their organisation and outside it.

From the organisational point of view we can identify immediate intra-organisational and *inter-organisational networks* as well as focal networks embedded in wider *national, international and global networks*. Depending on the organisation, immediate and focal networks may cross the boundaries of national and international networks. This concerns individuals as well.

In many-headed business relationships we can identify *intra-relational networks* at individual and organisational levels. Relationships exist within a network, and networks exist within a relationship. At its extreme a network is a relationship. *Network relationships* and *relationship networks* exist in continuous interaction in business.

Achrol and Kotler (1999: 146) state that "driven by a dynamic and knowledge-rich environment, the hierarchical organisations of the twentieth century are disaggregating into a variety of network forms, including *internal networks, vertical networks, intermarket networks* and *opportunity networks*". Internal networks are firm specific networks. They may be described as *layered networks* which are firms "composed of an operational layer of cross-functional teams on the one hand and a knowledge creating layer of functional silos on the other, connected internally and externally through an extensive data bank of knowledge and transparent information flows" (ibid., 148) or *internal market networks* in which case firms are "organised into internal enterprise units that operate as semiautonomous profit centers buying from, selling to, or investing in other internal and external units as best serves their need on market determined terms of trade but subject to firm policy" (ibid., 149). Achrol and Kotler's terms of internal networks are synonyms for intra-organisational networks.

Vertical market networks comprise "a group of resource firms specialising in the various products, technologies, or services that constitute the inputs of a particular industry, organised around a focal company (sometimes a 'virtual' company) that focuses on monitoring and managing the critical contingencies faced by the network participants in that market" (Achrol and Kotler 1999: 153). In many vertical networks, the focal organisation performs few manufacturing functions and is referred to as an 'integrator', acting as the organising and coordinating hub of the network. An example of this kind of network is the Finnish Nokia.

The opportunity network is organised around customers rather than suppliers. It is "a body of customers organised around a central information company that serves as a clearing house for the marketing transactions" (Achrol and Kotler 1999: 156). It brokers and regulates on behalf of its member customers and participating suppliers, which represent a range of products, technologies, and services. These kind of networks are increasing in e-business.

7.4 Relationships

According to McInnes (1964: 56), "the existence of a market relation is the foundation of exchange not a substitute for it". People and organisations engage in social and economic exchanges with other people and organisations to satisfy their needs. Business relationships are two-level constructs, between the arbitrary actors and between human actors. In the theoretical literature, relationships have been addressed at both levels. Scholars have used such terms as social relationships, marketing relationships, exchange relationships and market relationships. These will be discussed next.

7.4.1 Social Relationship

Levy (1966) has defined a social relationship as a set of social structures, patterns, or connections that define the actions of two or more interacting individuals or groups. The author identified six aspects of a relationship: 1) the cognitive aspect representing the thinking, knowledge, or mental process characteristics of the interaction; 2) the membership criteria aspect dealing with the reason or means whereby one becomes a member of a particular relationship; 3) the substantive definition aspect, referring to the degree of precision in the delimitation of the relationship; 4) the affective aspect, referring to the kind and degree of emotional bonds associated with a relationship; 5) the goal orientation aspect, approximating the essence of motivation; 6) the stratification aspect, defined as the particular type of role differentiation that distinguishes between higher and lower standing in terms of one or more criteria. Bagozzi (1974) adds to these a social influence aspect with five sub-categories: power, reward mediation, message credibility (on source credibility, see Hovland, Janis and Kelley 1953), source expertise (cf. French and Raven 1959), and activation of commitments (cf. Parsons 1963). Within the exchange paradigm, Bagozzi (1974a) has introduced different aspects that apply to any social relationship. They are presented in Table 37.

According to Bagozzi (1974a: 66), a social relationship can be presented as a vector of particular characteristics. For example, a relationship may be predominately rational in its cognitive aspects, predominately universalistic in its membership criteria aspects, predominately functionally diffuse in its substantive definition aspects, predominately avoidant in its affective aspects, predominately

responsible in its goal orientation aspects, predominately hierarchical in its stratification aspects, predominately coercive in its power aspects, predominately reinforcing in its reward mediation aspects, predominately trustworthy in its message credibility aspects, predominately competent in its source expertise aspects, and predominately obliged in its activation of commitments aspects⁴³.

Aspect	Polar Distinctions ^{*)}	
	X	Y
1. Cognitive aspects	Rational	Traditional
2. Membership criteria aspects	Universalistic	Particularistic
3. Substantive definition aspects	Functionally specific	Functionally diffuse
4. Affective aspects	Avoidant	Intimate
5. Goal orientation aspects	Individualistic	Responsible
6. Stratification aspects	Hierarchical	Non-hierarchical
7. Social influence aspects		
a. Power	Coercive	Impotent
b. Reward mediation	Reinforcing	Non-reinforcing
c. Message credibility	Trustworthy	Unreliable
d. Source expertise	Competent	Incompetent
e. Activation of commitments	Obliged	Exempt
*) Note: these polar distinctions are intended to represent, more-or-less, the end points of a continuum		

Table 37: Aspects of any social relationship. (Source: Bagozzi 1974a)

In his study of interpersonal relationships, Scanzoni (1979) has presented three progressive stages: exploratory, expansion, and commitment. In the first stage he has identified such dimensions as attraction (initial evaluation), exchange and exchange rules (norm development), communications and bargaining, power and justice, and maximisation of joint profit and trust. In the second stage, the dimensions identified are attraction (expansion of the array of rewards), obligation (concern for collective well-being), and spillover into other interests. The commitment stage includes such sub-dimensions as level of inputs, duration, and consistency. Further dimensions of the commitment stage are conflict, conflict resolution, and hostility and violence. (Stump 1994)

Huston and Burges (1979) and Levinger (1980) have presented a three-level construct of the development of interpersonal relationships. The levels are awareness, surface contact, and mutuality with the sub-levels of minor, moderate, and major intersection. At the first level there is general awareness, an interpersonal evaluation. Casual or role-oriented interaction occurs at the second level. At the third level, mutuality refers to intimate disclosure. As for the sub-levels, minor intersections refer to a knowledge of others' personal feelings,

⁴³ In most relationships the pure polar distinctions would not be actualised. Rather the specific aspect would be somewhere between the extremes, depending on the particular circumstances (hence the use of 'predominately' as a modifier).

moderate intersections refer to joint development of pair norms while major intersections refer to a mutual responsibility for others' outcomes and mutual attraction. (Stump 1994)

Gummeson (1999) identified nine types of relationship – with family, religion, friends, gender-based organisations, domicile, members of sport clubs, schools, one's ethnic origin, and mentors – that constitute an individual's social network. He has labelled these as mega relationships which are above the market relationships and which set conditions for them. Hallén (1992) discusses personal international contacts and contact nets in business. According to him,

the infrastructural contact networks are not designed for specific business deals. Instead, they are used to acquire advance information, to influence the framework within which business is conducted, or to give communication possibilities where regular paths are not so well-trodden (*ibid.*, 214-5).

These relationships have also been labelled as non-task factors that influence purchasing (Webster and Wind 1972) or as non-market relationships – relationships and environments that do not affect the company's buying and selling relationships (Boddewyn 1988).

In the current research on relationships and networks, concepts linked to relationships – such as attraction, trust, and commitment – seem to refer to the social influence categories presented by Bagozzi. The coercive power aspect may materialise in criminal relationships (see Gummeson 1999), while power that rests on resource dependence or reward mediation, both at the personal and the company level, exists to some extent in every relationship. One actor's lack of source expertise⁴⁴, as well as raw material, working labour, etc. may cause dependence between actors in a relationship. On the other hand, the benefits of engaging and staying in a certain relationship may materialise in status and identity within the network, new business possibilities through the relationship, etc. The concept of trust in current theoretical discussion refers to Bagozzi's message reliability. Ingredients for the concept of commitment can be drawn from two categories: reward mediation and activation of commitments.

7.4.2 Marketing Relationship

Bagozzi (1974a) starts from the concept of social relationship to define a marketing relationship as a sub-set of all social relationships. For the boundaries of a marketing relationship he introduces four criteria, an intersection of the aspects of social relationships, socio-cultural sanctions, philosophy of science requirements, and purpose and values of the social actors in the relationship. Bagozzi's idea is depicted in Figure 18.

⁴⁴ The concept of source expertise seem correspond to the concept of competence used in current marketing and management literature.

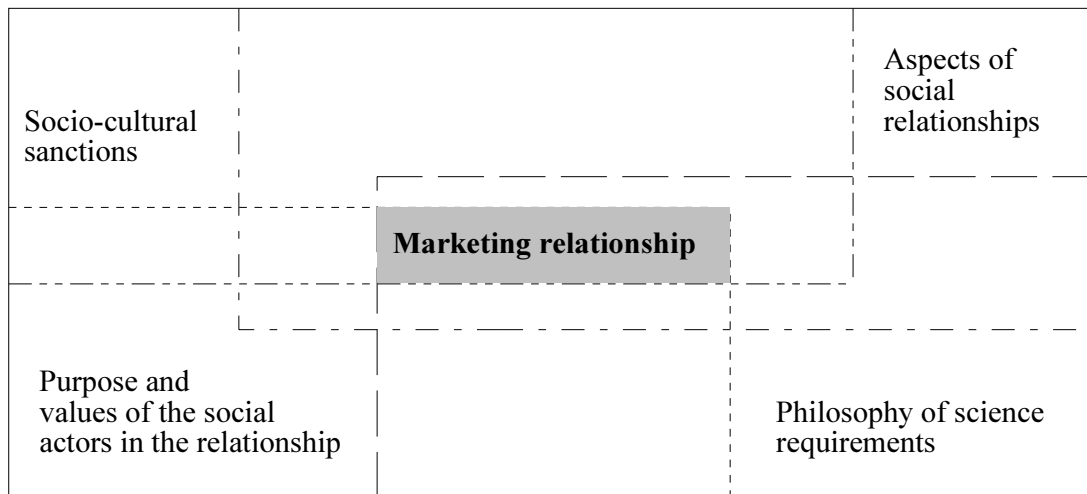


Figure 18: Marketing relationship as an intersection of four criteria. (Source: Bagozzi 1974a)

Bagozzi (1974a: 69) states that "...not all social relationships are marketing ones. That is, those which involve no attempts at influence, persuasion, coercion, or other modes of behaviour change by **both** actors in the relationship are not marketing relationships"⁴⁵.

Bagozzi defines socio-cultural sanctions as societal values that legitimise the importance and existence of social phenomena. For the philosophy of science requirements, the subject matter of marketing lies within the distinctive scientific problems, phenomena to be explained, or the dependent variables of the discipline. The aspects concerning the purpose and values of social actors and the aspects of social relationships refer to the desires of actors to induce response or action on the part of the other actor(s) in the relationship.

Bagozzi's concept of marketing relationship takes a holistic view of the phenomenon of exchange where it may be considered a synonym for a business relationship.

Webster (1992) has introduced a continuum of marketing relationships with transactions as one end of the continuum. Second on the continuum are repeated transactions that may create a foundation for a relationship; brand loyalty and trust are included in this phase. There are some contradictions in long-term relationships that are affected by competitive situation in the markets. In buyer-seller relationships the parties are, in some sense, dependent on each other. There is genuine collaboration in the relationships and price is negotiable under market pressure, not dictated by the market forces. As examples of strategic alliances, Webster cites product development teams, research projects or a production plant in which all parties make inputs and which serve all the parties' strategic purposes. Joint ventures are a typical example of strategic alliances. Next on the

⁴⁵The converse is not necessarily true.

continuum are network organisations with multiple relationships, partnerships, and strategic co-operatives. Vertical integrations are completely hierarchical corporations.

If we start from Bagozzi's (1974a) definition, the first two kinds of marketing situations are not marketing relationships and even the third may not be a relationship if the actors are just looking out for their own best interest and acting according to the competitive situation in markets.

7.4.3 Exchange Relationship

The exchange relationship concept remains somewhat ambiguous in the marketing discipline because researchers have rarely defined it explicitly. In the industrial marketing literature, relationships have been described as an exchange between mutually committed parties. Within the services marketing literature, the issue has not been clearly discussed. Liljander and Strandvik (1995) define the simplest form of a relationship in the following way: a customer has made purchases from the same provider at least twice. In its purest form, however, a customer relationship is characterised by positive commitment from the customer and the provider (Liljander and Strandvik 1995).

Depending on the empirical setting or theoretical perspective of the research, scientists have used various terms – buyer-seller relationship (Dwyer et al. 1987), channel dyad (Anderson and Weitz 1989), buyer-seller alliance (Heide and John 1990), distributor-manufacturer partnership (Anderson and Narus 1990), inter-organisational exchange relationship (Frazier 1983) – to basically refer to the same phenomenon of an exchange relationship between two firms. (Halinen 1994)

According to Halinen (1994), an exchange relationship can be seen to include transfers of both tangible and intangible resources. Exchange relationships appear in different forms in the market. Dwyer et al. (1987) and Frazier, Spekman and O'Neal (1988) have separated and characterised two principal forms of exchange relationships – the market exchange relationship and the relational exchange relationship – based on the distinction between discrete transactions and relational contracts proposed by Macneil (1980).

Market exchange relationships arise when the customer emphasises price, uses multiple sources of supply and tends to switch suppliers frequently over time. Relational exchange relationships, on the other hand, emerge when the buyer and supplier develop a relationship with a more long-term orientation. Relational exchange is less price-driven and is based on a greater recognition of mutual commitment between trading partners than is found in market exchange relationships. In marketing literature, the terms 'long-term exchange relationship' and 'ongoing exchange relationship' are often used as synonyms for relational exchange. (Halinen 1994)

Houston, Gassenheimer and Maskulka (1992) discuss exchange transactions and relationships. According to the authors, "a relationship assumes at least two

entities who have had some direct or indirect interaction; that interaction could be a transaction or an attempt to initiate a transaction" (ibid., 85). Furthermore, they state that if entities have had no interaction they can be considered *null relationships*. To me, this conceptualisation seems very odd, as does the one by Halinen and Törnroos (1998) who identify an actor's invisible, or potential, relationships in a network. However, in their earlier works they claim that a relationship has a common history, which leads me to ask how a relationship can be invisible to its party and have a common history at the same time.

7.4.4 Market Relationships

Market relationships constitute the basis for marketing – they are externally oriented and apply to the market proper. Gummesson (1999) introduces such classic market relationships as the dyad, the triad and the network. He calls the classic dyad the parent relationship of marketing; it is "the ultimate exchange of value which constitutes the basis of business" (ibid., 25). The classic triad involves the drama of a customer-supplier-competitor triangle while the classic network covers distribution channels.

Gummesson's special market relationships include relationships via full-time marketers and part-time marketers. According to him, everyone who comes into contact with people outside the focal firm are its part-time marketers. Additional special relationships are the service encounter (interaction between the customer and the service provider), the many-headed customer and the many-headed supplier, the relationship to the customer's customer (on the influence of the customer's customer, see Järvinen 1998), the close vs. the distant relationship, the relationship to the dissatisfied customer, the monopoly relationship (the customer or supplier as a prisoner), the customer as "member", the electronic relationship, parasocial relationships (relationships to symbol and objects), the non-commercial relationship, the green relationship, the law-based relationship, and the criminal network.

Inter-organisational relationships exist at a number of levels. Scholars have identified at least three levels: company, departmental or group, and individual level (Wilson and Mummalaneni 1986; Möller and Wilson 1988: 11). Ford, Håkansson and Johanson (1997) argue that it is appropriate to describe the dealings or organisations at the level of collectivity. Järvinen (1998: 121) argues that an adequate understanding of company behaviour can only be provided by analysing the company as a collection of interactions by individuals and subgroups which are more or less inconsistent over time. I would argue that both levels are needed. Approaches at different levels are pertinent depending on whether the focus is on economic, technological, political, legal, or behavioural issues in relationships.

Particularly in relationships with a many-headed supplier and a many-headed customer, the *intra-organisational* relationships constitute a substantial part of the business relationship. In the case of many-headed relationship parties, a

business relationship is an *intra-relational network* with different actors. In contrast to networks outside the relationship this network is organisationally, but not socially, manageable, due to the hierarchical command power in the intra-network. Consequently, it can be seen as a virtual organisation.

7.4.5 Business Relations

Companies and organisations in markets deal with multiple and different relationships. Gummesson (1999) has identified thirty relationships in marketing that he divides into market relationships, mega relationships and nano relationships. Mega relationships exist above market relationships, provide a platform for market relationships, and concern the economy and society in general. Nano relationships are firm specific relationships.

Companies do not operate in isolation but in connection with companies, organisations and other actors that affect them. Thus, they form collectives: networks of actors, resources and activities. Depending on the perspective, these networks may be perceived differently. If we look at a network from outside we may trace the whole, the relationships between parties and how they interact with each other in a system. If we look at a network from an actor perspective we see actors with whom we interact and actors who affect this interaction, due to the fact that all are parts of a system. We do not, however, directly interact or exchange anything with them. If we want to do so, we have to create a relation.

Following McInnes (1964) – according to whom the existence of a market *relation* is the foundation for exchange – and those who have studied the concept of *relationships*, I will discuss these terms next. To start the discussion about the differences, definitions given by Oxford Advanced Learner's Dictionary of Current English (1995: 985-6) are presented. Relations are links, contacts or dealings between people, groups or countries. In the note, the authors specify that relations are the official connections or friendships between countries, organisations, etc. A relationship is a friendship and strong emotional connection between two people. It can also refer to the ways in which people or things are connected and affect each other.

Bagozzi (see Table 37) has defined any social relationship with certain characteristics. To further elaborate on the concept, I would borrow Young's definition of strategic interaction. Following the lines of Frohlich, Oppenheimer and Young (1971: 122-3), Young defines strategic behaviour as the behaviour of any actor (individual or collective) involving a choice of action contingent upon that actor's estimates of the actions (or choices) of other actors, where the actions of each of the relevant others are based upon a similar estimate on their part. Strategic interaction is a set of behaviour patterns manifested by individuals whose choices are interdependent in this fashion (Young 1975: 6).

According to the definition, actors estimate the consequences of their own actions on other relevant actors, as well as the consequences of other actors' actions on the actions of the focal actor in a relationship. In this way mutuality is

understood by the actors. In many cases, actors do not perceive or estimate or care about the consequences of their actions on the other parties in a transaction. In business, marketers and customers as actors may be related to each other, either directly or indirectly, without having any strategic interaction that might constitute a relationship. For example, marketers and consumers have relations in order to exchange goods and services, but have no relationships that require deeper interaction and consideration. Also in a business-to-business setting, actors may have relations to some actors and relationships with others.

In relations, empathy is lacking while in relationships, mutuality is understood by the actors. For instance, if a person is socially acquainted with someone this does not mean that they have to have a relationship; however, they do have relations that may turn into a relationship. Some characteristics showing the difference between relations and relationships are listed in Table 38.

In relations, actors pursue self-interest and have only individual goals, while relationship parties share interests and want to develop the relationship by setting common goals. Relations tend to be remote and superficial, and people communicate with each other only as role persons, i.e. on task-related issues. Actors are independent and feel free to change their partners in relations, while in relationships they are structurally or mentally committed because of a perceived interdependence. Actors in relationships have more intensive and closer interaction, and in organisations people may also intercommunicate socially.

Relation	Relationship
Actors' self-interest	Actors' mutual interest
Task-related intercommunication	Task-related and social intercommunication
Individual goals	Common goals
Remote/superficial	Close/deep
Freedom	Commitment
Independence	Interdependence

Table 38: Characteristics of relations and relationships.

It is necessary to look at the issue of relations and relationships at collective and individual levels. It may be that even if a company has a relationship-type connection with another company, the people within the relationship may have relation-type connections where they act only as role persons. In this role they create, maintain, enhance and terminate relationships with other role persons. They are not, however, committed to these relationships at the personal level. If a role relationship ends, there is no interaction between the parties, even if they remain as actors in a network. This also happens in companies that stop interacting with each other; they are still actors in a business network and are thus related to former partners.

Because there seem to be two kinds of connections in business markets, it seemed relevant to make a distinction between the terms as well. Therefore, a *business relation* is here defined as *an economically oriented state of existence between or among actors*. It is an outcome of context, or evaluation and bargaining. On one hand, a business relation is an outcome of context, if we examine it from a network perspective where every company has a position in a network. On the other hand, we can take the view of an actor. Then we may have counterparts with whom our communication and interaction is superficial and a situation where we are not interested in the welfare of the counterpart beyond that transaction.

If the counterpart is important enough to our business, we may want to deepen the relation into a *business relationship*, which is defined here as *an economically oriented state of existence between or among parties with collaborative interaction*. This collaboration may be formal (sealed by legal contracts) or informal (voluntary). Collaborative interaction may be constructive, as when parties plan future activities and the relationship's future together. It may be institutionalised, where daily routines are taken care of at the operative level. Collaborative interaction may also be destructive, as in cases where a relationship is dissolved.

According to the above distinction, actors have relationships only in their immediate networks. This is in accordance with the idea that relationship parties have a common (mutual) history. From an actor's point of view there are both relations and relationships in the focal network.

From a marketing point of view, a company may be interested in developing relations with customers to a certain extent without engaging in deeper or wider exchanges than economic, or utilitarian, exchange. Then, there is no need to know customers personally, even though a company may have a customer register with the customers' purchasing histories. This is often the case in consumer markets. In business markets too, many companies with standardised products do not develop their single customer relations into relationships. They may, however, develop their exchange network by establishing new relations with customers' business partners.

Marketers today develop strong brands and images to deliver not only utilitarian but also symbolic value to their customers. They are developing parasocial relationships (Gummesson 1999) where utilitarian exchange materialises as a restricted exchange in a relation between a supplier and a customer, while symbolic exchange materialises in customers' networks.

Because people and organisations are related to each other, each organisation has an implicit or explicit relation portfolio with market relations, mega relations and nano relations. Depending on business, relations may range from transactional relations to loyal and close relationships. Relations may be communicative in the sense that, marketers, for example, communicate their offerings directly to customers but are seldom intercommunicative at a deeper level.

The collective portfolio of relations can be spread into different types of relations. The idea is visualised in Figure 19. Narus and Anderson (1995) have adopted the concepts of transactional and collaborative relationships as polar distinctions of business relationships. I prefer, however, a continuum with transactional relations at one end and collaborative relationships at the other.

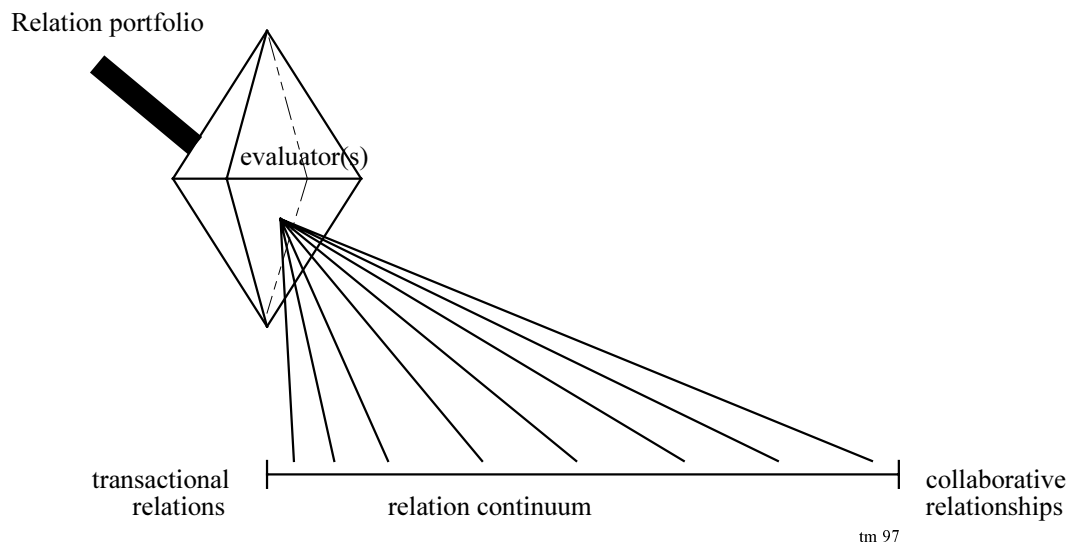


Figure 19: Dispersion of relations.

We can think of the range/spectrum of evaluators on a relation continuum as reflecting the portfolio of an organisation's relations. Whether relations are seen as transactional or collaborative, or something in between, depends on the evaluation perspective (organisational, personal) and the individual evaluator in the organisation.

Cannon and Perreault (1996) have proposed eight standard 'relationship' types on the basis of their extensive literature review and the findings of their own empirical research. The authors label the types as market exchange, bare bones, contractual transaction, custom supply, collaborative, mutually adaptive, and customer is king. Frazier and Antia (1996) have introduced six similar categories. The relation types vary according to how much the supplier adapts to the customer, the extent of operational linkages between the supplier and customer organisations, the amount of information exchanged, legal bonds, and the amount of co-operation between the parties. (Morris et al. 1998)

Concerning market relation(ship)s in the service sector, Liljander and Strandvik (1995) make a distinction between episode dominated and relationship dominated relations based on whether the customer makes a separate decision each time on which product or service provider to use, or whether they have a delivery contract with the provider. A distinction can also be made based on how often the actors interact; relationships of a discrete type can be considered

episode dominated. In other cases, relationship itself grows in importance. (cf. Liljander and Strandvik 1995) On the basis of my study I would argue that the importance of a relationship is, especially in a business-to-business setting, more dependent on the economic value of trade than on the frequency of interaction.

Hallén (1992) has identified different functions in business relationships. According to him, there are business relationships with resource, activity and actor connections; non-market relationships with activity and actor connections; and infrastructural relationships with actor connections. Gummesson (1999) has identified personal and social networks; mega-marketing, referring to relationships with government, legislators, and influential individuals; alliances and mega-alliances that exist at government and supranational levels; the knowledge relationship; and the mass media relationship. In terms of relations and relationships, most of the above-mentioned relationships can be thought of as relations (excluding, to some extent, alliances and mega-alliances and personal and social networks).

Organisational actor-specific relationships are called nano relationships by Gummesson (1999), who has identified the following examples: relationships where market mechanisms are brought inside the company; internal customer relationships; quality providing a relationship between operations management and marketing; internal marketing relationships; relationships with the 'employee market'; the two-dimensional matrix relationship; the relationship to external providers of marketing services; and the owner and financier relationship. Both relationships and relations are to be found in these connections.

Ring and Van de Ven (1994) have discussed the role relationships of individuals in collaborative inter-organisational relationships. They assume that individual views on certain issues in relationships are a function of the individual's organisational role. They also assume that role relationships and interpersonal relationships are not identical. Furthermore: "If the individuals assigned to a co-operative inter-organisational relationship (IOR) do not change, personal relationships increasingly supplement role relationships as a co-operative IOR develops over time" (ibid., 103). In the focal relationships with Finnair (A1) and Neste (B3), the interpersonal relationships existed even before the role relationships were born. Otherwise, in the focal relationships, the development of interpersonal relationships depended on the personal characteristics of the intercommunicating [human] individuals, not as a result of the development of the inter-organisational relation. If people are not attracted to each other, or do not trust each other, the role relations remain decisive.

Drawing from the above, a business relation can be considered a construct with economic goals. Business relations may exist between or among individuals or collectives. At the collective level they usually include informal organisational relations or formal organisational relationships, formal personal role relations and relationships, and informal personal relations (which can also be labelled as social relations) and relationships. At the individual level, role relations and relationships may turn into social ones, for instance when a person leaves a collective where they have had a role. In the same way, a social relation or

relationship may turn into a role relation or relationship if people become connected through a collective in which they have a role.

7.4.6 Development of the Focal Business Relations

The research on relationships and their development has provided the academic world with several models and concepts (e.g., Guillet de Monthoux 1975; Gummesson 1979; Grönroos 1980 and 1982; Ford 1982; Ford and Rosson 1982; Frazier 1983; Edvindsson 1985; Lehtinen 1986; Wackman, Salmon and Salmon 1987; Rosson 1986; Wilson and Mummalaneni 1986; Dwyer et al. 1987; Liljegren 1988; Frazier, Spekman and O'Neal 1988; Yorke 1990; Heide 1994; Halinen 1994; Wilson and Möller 1995; Alajoutsijärvi 1996; Havila 1996, Järvinen 1998). Halinen (1994) has discussed the models of the development of relationships, both in the service sector and in the industrial sector. These models have mainly addressed the phases of a relationship. To mention some exceptions, Wilson and Mummalaneni (1986) address such elements as need complementary, interactions, outcomes, satisfaction, and commitment, and Alajoutsijärvi (1996) looks at competition, co-operation and dominance.

In this study, two levels of development in supplier-customer relations were identified. First, there is structural change. Parties may be merged or acquired by other companies like in Kyro's (B1) case, establish and terminate joint ventures or strategic alliances, as in Merita's (D2) case, and collaborative contracts, etc. They may move from a relation to collaborative relationship as in the relationships with NBI (A3) and Kyro (B1) or vice versa (e.g. after a construction project). Second, there is change in the content of a relation. The deliveries may change due to technological development while changes in personnel (especially decision makers) may alter both the structure and the content of the focal relation.

On the basis of this study, the reasons for development of relations may be divided into four different categories. First, there are the **economic factors**, such as the customer's bank's requirements in Kyro's (B1) case or the companies' own arrangements such as in the relationship with Finnair (A1). On the supplier side, the development preconditions for further business is an economic issue; this was highlighted in the relationship with APS (A2).

Second, there are governmental, **political factors** including legislation that relate directly to the common development of the society. The relationship with APS (A2) is an example of this. Parliament's decisions have a great impact on the potency of the relationship. Another example of the role of the authorities is the relationship with Police School (D1). Also, in Service (Petrol) Station Systems Division's relationships the forthcoming monetary change in the EU is an example of political factors.

Third, in the relationships with Merita (D2) and OKO (D3) the role of private-sector network collaboration in the development of the focal relations is considerable. Also in the installation industry, collaboration with other actors in the projects has an impact on the focal relationship. Concerning intra-

organisational collaboration, its importance in developing focal relationships was detected in the relationships with Esso (C1) and Teboil (C2). These factors may be called **industry factors**. At the theoretical level we can also count technology among the industry factors because its role is industry specific.

Finally, **human factors** affect the development in collective relations. The role of personal attraction and repulsion were identified in the relationships with Neste (B3), and SEO (C3) in particular. Human factors materialise in the ease of operating in relationships. Social knowledge about the other parties' representatives affect the norms and routines in a relationship, as do the expectations of the relationship parties.

Economic and technical elements of the relationship are emphasised at the company level. This could be identified in the respondent's perceptions of the factors that affect the future of the focal relationships. Quality (technical and functional), business potential, capacity and collective competence, in addition to the competitive price level were perceived as the most important factors.

Dynamics of the context form and change relations continuously. In terms of relations and relationships, the focal relationships may be classified as follows: At the time of the interviews, the relationships with Finnair (A1), APS (A2), NBI (A3), Kyro (B1), Neste (B3), Esso (C1), Teboil (C2), Police School (D1) and Merita (D2) can be considered relationships, while relationships with Tako (B2) and OKO (D3) were in the relation phase. These latter relations had no collaboration at the time, even though they have had collaborative interaction in past projects and expect to collaborate in the future. The focal dyad of relationship C3 is a relation that has never been a relationship. However, the dyadic relations of this collective relation, between the supplier and the individual service (petrol) station owners may be considered relationships. Relationship C3 might be labelled a network relationship which includes both relationships and relations.

7.5 Conclusions

This chapter has discussed the phenomena and terms of relationship. Over time, research in marketing has widened its scope from a firm's operational level to its strategic level, which means that a more holistic view of the phenomenon is required. Recently, marketing has been seen as interaction, relationships and networks – in other words, as connections between or among actors.

The concepts of interaction and exchange have been used to describe the same phenomenon: what happens between social entities. In the elaboration of the concept of exchange I identified four dimensions. First there are systems: behavioural systems among people, which may be organised or informal; technical systems where machines interact with each other; and mixed systems where people interact with machines. The second dimension is the media through which exchange happens. Third, the type of exchange may be restricted as in dyads, generalised as in cases where exchange circulates (cf. circular letter) and

complex as in networks. The last dimension is the meaning of exchange, which can be utilitarian with tangible objects, symbolic with intangibles or mixed.

Marketers have to consider all the above dimensions in delivering value to their customers. Depending on the business area, elements of the four dimensions are emphasised differently and the appropriate marketing mix should be built to match the values of the target group.

A relation is a prerequisite of all kinds of interaction and exchange. Actors may be connected by different structures or exchange types. At its extreme, everything is connected in our system of universe. In business there are actors and factors or, in the terms of the IMP Group, resources that determine the structure of acting, for instance the number and type of different human and technical connections. These connections have been labelled relations, relationships and networks. We may consider a network to be a collective relationship or a system where actors, resources and activities interact. On the other hand we may think of different relations and relationships as constituting networks that may or may not be identified by an observer. Some observers identify only their immediate network, in which they operate with familiar actors, and their resources, while others identify larger totalities. For marketers it is also extremely important to identify the context in which their business is embedded.

Transaction marketing and relationship marketing have been presented as opposite ends of a marketing continuum. In the relationship marketing paradigm the primary focus is on creating, maintaining, enhancing and dissolving relationships. A distinction between transaction marketing and relationship marketing does not seem to be relevant if we look at marketing through relationship eyeglasses. We should instead consider the different types of connections that marketers have with customers and other stakeholders. Are they direct or indirect, do they pursue self-interest or mutual interest, is there considerable interdependence, are customers committed, etc. To make a type of connection more comprehensible it is suggested in this chapter that the terms *relation* and *relationship* should be given distinct meanings. Connections that are superficial and are pursued mainly actors' self-interest, that have no common goals and are dissolved without major transaction costs could be labelled relations. Relationships are deeper connections that encompass mutual interest and orientation, interaction and commitment.

From a relationship marketing perspective, companies should identify relevant stakeholders and consciously develop connections with them. Depending on goals and purposes, marketers should consider the appropriate level or depth of different connections. At the company level, business connections do not exist solely among suppliers and customers; they also exist among other stakeholders, for example financiers and employees. Furthermore, there are connections that can be labelled socio-economic, i.e. role or personal relations and relationships that are created and maintained in the expectation of future economic benefits. We can think of the range/spectrum of evaluators on a relation continuum as reflecting the portfolio of an organisation's connections. Whether these are classified and treated as transactional relations or collaborative relationships, or

something in between, depends on the evaluation perspective (organisational, personal) and the individual evaluator in the organisation.

A collective level business relation or relationship usually comprises of company (or department) level relations and/or relationships as well as individual level relations and/or relationships. As the study at hand revealed, there are situations when the collective entities do not collaborate but the individuals do. They may collaborate as role persons, in which case they represent the official 'voice' of the collective, or as private persons, in which case collaborative interaction is social.

Economic, political, industry and human factors affect the development of supplier-customer relations into collaborative relationships. Economic factors have an impact on mutual trade and workloads. Political factors affect the modes of interaction in relations and relationships, as do economic factors, on which they have an impact. Industry factors affect the forms of collaboration and competition. Human factors affect the modes of intercommunication within a collective relation or relationship.

The phenomenon we are dealing with when studying business relations and relationships is large and multifaceted, and after three decades of intensive research we still have only a fragmented understanding of it. Scholars have addressed the issue with different concepts and terms in order to enhance our understanding. On one hand this may be confusing and hinder us from seeing the phenomenon beneath the surface. On the other hand, different concepts and terms may open new visions for researchers and practitioners.

8. CONTRIBUTIONS

8.1 Theoretical Contributions

The purpose of the study was to specify theory by empirically exploring and analysing business-to-business relationships. The abductive logic adopted in this study enabled a dialogue between theory and empirical evidence, and in turn, this dialogue opened new opportunities for theory generation.

Rather than relying on the multiplicity of concepts and models which look at individual aspects of supplier-customer relationships, a more holistic view of industrial business relations was sought in this study. Consequently, the empirical study was directed toward a supplier company's marketing and examined its twelve customer relationships in order to explore their similarities and differences. This allowed for a deeper and broader approach to relationships than if several individual cases had been used.

Business relationships have been studied with interaction and/or network models, usually taking one actor's perspective (excluding Halinen 1994; Alajoutsijärvi 1996; Holmlund 1997; Järvinen 1998; Järvelin, forthcoming). In this study, a relationship perspective was adopted because it enabled deeper consideration of what constitutes a relationship.

The data analysis with three primary models – the ARA model (Actors, Resources, Activities) of the IMP Group, Halinen's (1994) ATC model (Attraction, Trust, Commitment) and Gummesson's (1999) Marketing Equilibrium model – contributed to theory as follows:

1. As regards actors in supplier-customer relation(ship)s, a specific actor was identified and called a *bistomer*. A bistomer is an actor on the customer side with whom a supplier has no monetary exchange but who has a formal role in the exchange of information in a multi-party relationship. Bistomers differ from traditional customers in business. Marketing activities are directed towards bistomers to create and maintain buyer-seller relationships. Of course, bistomers may act as referees or exert influence, but their role is more official than that. In the construction industry, architects and decorators select materials for buildings, as do design engineers. Media houses help advertisers select the right media. Consultants may act on behalf of their principals in gathering information and making decisions, etc.

2. As regards resources, they could be divided into party-specific resources and resources created by engaging in relationships. The analysis resulted in *three categories of resources*; those of a supplier, those of a customer, and those resources created in a relationship.

3. Interaction in relationships materialises in the activities that relationship parties conduct, both in their own organisations and between relationships. The case analysis resulted in a categorising of activities into

those that were labelled *relationship related marketing activities* and others labelled *relationship related operational activities*. Marketing activities are conducted in connection with trading and social issues, while operational level activities aim for physical outcomes in a relationship. Both kinds of activities were further divided into the categories of *supplier activities*, *customer activities* and *mutual activities*. Activities such as bargaining, negotiations, customer and supplier evaluations, post episode evaluations, market monitoring, and monitoring of technology were common relationship related marketing activities. Relationship related operational activities included evaluations of delivery times, costs and trading potential, quality and economic control, as well as conflict solving, negotiations and information exchange. On the basis of the analysis it can be argued that *evaluation* and *bargaining* among parties, in addition to the relationship *context*, have a considerable role in business interaction.

4. Attraction, trust and commitment exist at the collective and individual levels. At the collective level, attraction is based on the business potential that the other party creates. At the individual level, the concepts of attraction, trust and commitment materialised in the respondents' views in multiple ways. Perceived personal attraction affects the quantity and quality of intercommunication among people.

It is suggested that, by adopting the concept *intercommunication* (a sub-concept of interaction) into theoretical discussion, a deeper understanding of the human elements of a business relation could be reached.

5. The distinction between objects of collective and individual trust offers new theoretical perspectives on trust, which is based on different elements over the course of a relationship. In the pre-relationship stage, the other party's reputation and references play a substantial role, as do impressions that parties get from contact with a potential trading partner. In later stages, personal experiences become decisive. As became evident in the study, *people may have to communicate with each other whatever the degree of personal trust*.

6. Commitment materialises at three levels. There is an *organisational commitment* to projects, individuals' *role commitments* to organisations and relationships, and their *personal commitments* to people. This distinction has not been made in the theoretical discussion.

7. In this study, perceived attraction, trust and commitment were positively connected. A variable connected to all the concepts was dependence. The degree of *perceived dependence had connections with perceived attraction, perceived degree of commitment to a relationship, and the perceived role of trust*. This needs to be taken into consideration in future research.

8. Intra-organisational competition for resources affects those resources directed to focal relationships. *Budgets and other constraints and allowances that, to a large extent, regulate economic exchange in business relationships are outcomes of evaluation and bargaining among intra-*

organisational competitive parties. The findings suggest that further research on relations between intra-organisational and inter-organisational (intra-relational) intercommunication is needed to better understand business relations.

9. The relations among the concepts of three theoretical models are discussed in this report. On the basis of the study, the concepts of attraction and trust could be seen as sub-concepts of resources or activities while the concept of commitment could be seen as a sub-concept of activities or, on the other hand, as a sub-concept of resources.

Regulations/institutions could be considered as sub-concepts of resources, while collaboration and competition could be seen as sub-concepts of activities. Collaboration and competition could also be seen as classified sub-concepts of resources, while regulations and institutions could be sub-concepts of activities. Furthermore, it can be argued that the concepts of actors and activities sometimes overlap with the concept of resources. Actors and their activities may be sometimes considered as resources in relationships.

As a synthesis of the aforementioned models, three additional concepts – identified as being pertinent in studying relationships – are presented. Of these concepts, context is a sub-concept of resources, and evaluation and bargaining are seen as sub-concepts of activities. The finding resulted in the following contribution:

10. A Relation Trine model, with its concepts of context, evaluation and bargaining – a result of the research process – is introduced and further developed in the study. *Models of contextuality*, *multidimensional evaluation* and *dyadic business bargaining* are introduced and 'tested', or their use was illustrated by the data; in this research context, they seemed pertinent. In addition, a *commercial bargaining process* is introduced in the study.

11. In the discourse on relationships, interaction, exchange, networks, relations and relationships are elaborated upon in order to better understand the phenomenon of relationships. It is suggested that the terms *relations* and *relationships* should be given different meanings. The terms are defined and characteristics that separate relations and relationships are presented. Current theoretical discussion has not made this distinction.

Networks are constructs that can be perceived from different perspectives. We may consider a network as a collective relationship or a system where actors, resources and activities interact. On the other hand, we may see different relations and relationships as constituting networks that may or may not be identified by an observer. In this study the term *intra-relational network* is introduced.

Additional contribution to marketing was the perception that

12. in light of this study, empirical reality would seem relativistic. Accordingly, a pragmatic science like marketing has to continuously regenerate itself to be able to reflect the reality in which it occurs.

However, the body of knowledge created by earlier scientific studies may serve as a guide along the paths of research on contemporary reality. For me, the ideas of Wroe Alderson in particular have been of great importance during this research process. In addition, the work of Richard Bagozzi has contributed to my understanding of relationships.

8.2 Methodological Contributions

Due to the research design, relationships could be analysed and compared at the industry, relationship, and individual levels. Furthermore, the research design enabled the comparison of theory and practice.

In triangulation (see e.g. Lincoln and Guba 1985; Miles and Huberman 1994), researchers make use of multiple and diverse sources, methods, investigators, and theories to provide corroborating evidence. The adopted research design includes multiple sources of information, the collection of both qualitative and quantitative data, two researchers studying the same company (and not dissimilar themes), as well as multiple theoretical sources.

The data-processing method developed during this research process enables a deep analysis of qualitative empirical data. It may also serve theory generation by revealing niches that are worth theoretical elaboration. The quantitative data collection – on the same themes as in the interviews – allowed for the cross-checking of respondent information and the comparison of individual opinions in a slightly more 'objective' manner, by using an inter-subjectively accepted formal language. This may reveal connections between variables in a more reliable way than qualitative research only.

The report of the research is presented in a comparative structure introduced by Yin (1991), who states that

A comparative structure repeats the same case study two or more times, comparing alternative descriptions or explanations of the same case. The purpose of the repetition is to show the degree to which the facts fit each model, and the repetitions actually illustrate a pattern-matching technique at work (*ibid.*, 138).

In this study, by analysing the data using different models and the key concepts of contemporary marketing literature on relationships, I found elements of the relationships studied that are little discussed in the IMP approach and relationship marketing theory.

8.3 Managerial Implications

In business, and in high-tech industries, human factors⁴⁶ play a substantial role in everyday interaction, evaluation and bargaining. In relationships where multiple

⁴⁶ I prefer the expression human factors to social factors because, in my thinking, human factors have an effect on social behaviour.

people are involved, the potential for conflict is high. To decrease this risk, intra-relational management and leadership should be taken into consideration. A holistic view of interaction and intercommunication at the different levels of a business relationship and of the management of a relationship as a virtual or imaginary organisation might open up new perspectives on the performance of a business relationship.

The study's contribution to management can be seen in the findings on the importance of qualified intercommunication in intra-organisational and inter-organisational human⁴⁷ relationships. Within the company, different perspectives on the focal relationship held by key people should be communicated, and a collective understanding should be created and maintained. Only then can successful communication emerge in inter-organisational relationships.

From a marketing company's point of view, in order to better serve them, it is essential to understand the reasons why customer companies interact with it. The suppliers should create and improve competencies that are appreciated by the customers in order to obtain competitive advantage in the markets. Thus, more empathy is needed toward customers. Furthermore, the marketer should understand the different perspectives of actors on objects under scrutiny. Affected by factors like role, occupation, responsibility, etc., individuals involved in business relations will have differences in their views. To make the collective act profitably, individuals must understand the whole and their role in it.

8.4 Criteria for Quality Assessment of the Study

The criteria for defining the quality of the study depends on the orientation that guides the research in question. If the study is based on an objectivist / positivist orientation, the quality of the research might be called objectivity. According to Kirk and Miller (1986:20), "objectivity is the simultaneous realisation of as much reliability and validity as possible". If the study is based on subjectivist / phenomenological orientation, the quality cannot be called objectivity. This would be against the ontological and epistemological assumptions of the study. Since this study has an orientation based on modern empiricism, criteria of both orientations are addressed below.

According to Lukka and Kasanen (1993), the credibility and novelty of the results of a study can be considered the most central criteria in judging the quality of the study. Especially in qualitative research, the issues of the researcher's theoretical sensitivity (Strauss and Corbin 1990) and pre-understanding (Gummesson 1988) are essential elements, both in generating and interpreting data, and in assessing the quality of empirical data. In their paper, Wallendorf and Belk (1989) suggest introspection as the basis for empathy and the first test by which the integrity of research findings is assessed.

⁴⁷ In contrast to technological or legal relationships.

My pre-understanding of business relationships is based both on practice and on marketing theory literature. I have been a partial owner and managing director of a small industrial company where products are individually tailored for different organisational customers. Additional experience in industrial services was gained working in an industrial service firm that maintained and repaired machines in the paper industry. Furthermore, I have worked in a global corporation that sells and maintains desktop publishing systems and machinery in the graphic industry.

"Any research approach, regardless of the philosophy of science from which it emanates, requires ways to assess the trustworthiness of the research" (Wallendorf and Belk 1989: 69). As regards qualitative research, Lincoln and Guba (1985) suggest four criteria in assessing the trustworthiness of a study. The first is *credibility*, referring to the adequate and believable representations of the constructs of reality studied. Second is *transferability*, or the extent to which working hypotheses can also be employed in other contexts based on an assessment of similarity between the two contexts. The third criterion is *dependability*, or the extent to which interpretation is constructed in a way that avoids instability (other than the inherent instability of a social phenomenon). Finally, *confirmability* refers to the ability to trace a researcher's construction of the interpretation by following the data and other records kept. In their later work, Guba and Lincoln (1994) propose two sets of criteria for a study with a specifically constructivist perspective. The first of these, the trustworthiness criterion of credibility, includes the four criteria presented above. The second set of criteria for the authenticity of fairness encompasses *ontological authenticity* (i.e. the study enlarges personal constructions); *educative authenticity*, referring to improved understanding of the others; *catalytic authenticity*, meaning that the study should stimulate actions; and *tactical authenticity* (i.e. the study empowers actions). Wallendorf and Belk (1989) add another criterion, *integrity*, which refers to the extent to which the interpretation was unimpaired by lies, evasions, misinformation or misrepresentations by informants.

Yin's (1991) criteria for judging the quality of a case study are: construct validity (using correct operational measures for the concepts being studied), internal validity (showing the causal relationship between two conditions), external validity, and reliability. Guba and Lincoln's (1994) credibility parallels internal validity, which is only used for explanatory and causal studies and not for descriptive or exploratory studies. Transferability parallels external validity, dependability parallels reliability, and confirmability parallels objectivity.

Hirschman (1986) has criticised the use of internal and external validity, reliability and objectivity in humanistic inquiries. According to him, "they derive from the specific metaphysic underlying positivist science: consequently they are inappropriate criteria for evaluating research generated by means of the human metaphysic" (ibid., 244)

The credibility of the empirical evidence was assured in the interview phase by recording the interviews and, later, by letting the key interviewees of the supplier party read and comment on the case description. No comments were

made, which may be interpreted as a sign of acceptance from their part. Also, integrity was assured, at least to some extent, by this action.

Transferability, or the extent to which a working hypothesis can also be employed in other contexts, is hard to assess in an exploratory study. Transferability parallels external validity. The problem of external validity has been a common concern of qualitative research. According to McGrath (1982), there is always a trade-off between generalisability, precision, and realism when choosing a research strategy. Coffey and Atkinson (1996) find that the very process of abductive reasoning leads toward concepts and models that are applicable across a wider range of contexts. This has also been the purpose of the focal study.

The generalisation of the case study into theory is an 'analytic generalisation' in which a previously developed theory is used as a template with which to compare the empirical results of the case study (Yin 1991: 38). In this study, three contemporary theoretical models have been 'tested' in analysing the empirical data. It is also anticipated that the findings of this study – the Relation Trine model and its concepts – will be applicable across different empirical contexts.

Dependability, the extent to which interpretation is constructed in a way that avoids instability, parallels reliability. Reliability refers to demonstrating that the operations of a study (e.g. data collection) can be repeated with the same results. Reliability defined in this way cannot be used in making assumptions as to the quality of the present work (and hardly for other qualitative interviews either) because the personality and the interviewing skills of the researcher greatly affect the access to information. As regards the quantitative data collected, it may have been affected by the interviews that were made before collecting the data. However, the integrity of the information was tested with the use of both qualitative and quantitative methods.

Confirmability refers to the ability to trace a researcher's construction of the interpretation by following the data and other records kept. It parallels objectivity, i.e. simultaneous realisation of as much reliability and validity as possible. The confirmability of the present study rests on the credibility of the empirical data and the reporting.

Gummesson (2000) lists a number of aspects worth taking into consideration in reporting. The researcher's background and pre-understanding of the research area are discussed, research strategy is described, and the background and justification for the chosen methodology are introduced. Furthermore, the empirical evidence and the data analyses leading to the developed model are described.

The authenticity criterion of fairness is met by the Relation Trine model and its sub-models as a result of the first analysis and the synthesis of the three primary models. The new concepts and their elaboration contribute to educative authenticity, as well as to the other elements of the criteria: catalytic and tactical authenticity. The case company's Avionics Division has applied the model of

evaluation synchrony in studying its personnel's quality perceptions and customer satisfaction.

8.5 How to Proceed

The focal study has produced several new research interests. Theoretical research and discussion on relations and relationships is needed, as well as more knowledge of relationship management in companies and inter-organisational relationships. Likewise, in the contemporary business situation, the role of contexts in different relationships is an issue that needs further elaboration.

On the basis of this study, a company's relationships with financiers are, after customer relationships, second in importance. Those relationships and their relation to customer relationships would be an interesting area for research. Comparative studies of customer relationships in the public and private sector would also be of interest.

With respect to evaluation, research in this area will surely bring in new knowledge. Two interesting questions are raised: how individual evaluations affect the supplier-customer relationships, and how individual evaluations are turned into collective evaluations in companies and relationships.

Collective bargaining in supplier-customer relationships is another research direction that needs further elaboration. Another issue would be how attraction, trust, commitment, or dependence relate to bargaining and negotiations. These are only a few examples of potential research paths.

Indeed, future research is needed in all the areas identified in this study in order to create more understanding of industrial supplier-customer relationships. Furthermore, the second phase of the original research design of this study – a study of the impact of different relationships on the marketing orientation of the focal company – is a possible research path to be followed.

APPENDIX 1

INSTRUMENTOINTI OY'S MARKETING AND TWELVE CUSTOMER RELATIONSHIPS

CASE DESCRIPTION

Prologue

The variety of empirical reality materialised in the field study. Based on the relationship marketing literature, I had prepared a semistructured questionnaire that was to be used in the individual interviews. In the first discussions with the representatives of the company examined in the case study it became evident that there had to be two different kinds of interviews for different levels of the organisation. In the Service (Petrol) Station Systems Division the respondents wanted group interviews. Accordingly, on the customer side, the interview with one of the customers, Teboil, was conducted as a group interview. The other division customers and case-study respondents were interviewed individually. Furthermore, the amount of information received from the respondents varied greatly. In some interviews respondents spoke at length about their company, business, internal and external relations while in others, respondents only answered the set questions. Finally, some of the respondents provided additional written material on their company or unit.

The case study description is based on the information obtained during the interviews as well as from the written material. Due to the variety of information it was not possible to produce a unified form of presentation for all the divisions and relations. Valuable information would have been left out had I based the descriptions solely on the basic interviews.

The interviews for the description were conducted between summer 1996 and autumn 1997. Since then, considerable changes have occurred both in the case company and in some customer companies. In November 1999, the Service (Petrol) Station Systems Division was sold. Bank customers have put an end to common development of automated teller machines. Merita Bank has joined with the Swedish Nordbanken. For the time being MeritaNordbanken is looking for a partner to form an alliance. Furthermore, Parliament has accepted the acquiring of new helicopters for the Defence Forces. These are but a few examples of the changes constantly going on in the markets.

When writing the description, a distinction between the concepts of *relation* and *relationship* was not made. Therefore, they are used as synonyms. Also, buyer-seller relationships and supplier-customer relationships are synonyms.

Description of the Case Study

Instrumentointi Oy is a high tech Finnish company located in Tampere. It operates in three different lines of business: industrial automation, service (petrol) station automation and defence technology. When the empirical evidence was collected, the company had five divisions, four of which participated in the study. A quick overview of the company is presented in Figure 2.

The empirical research encompassed a study of the supplier company's marketing. The study also consisted of twelve sub-studies: twelve relations between the supplier company and its customers. These relations represent the whole spectrum of the supplier company's customer relations. To get as comprehensive an overview of the relations as possible, the director of each division was asked to select three typical yet distinct customers.

The presentation of the case-study starts with a general introduction to the supplier company, Instrumentointi Oy. Next, the study focuses on the relations of the supplier company. Thereafter, the divisions that participated in the study are presented and the relations of these divisions are discussed at the general level. A short presentation of the case customers follows and finally the case study relations are described.

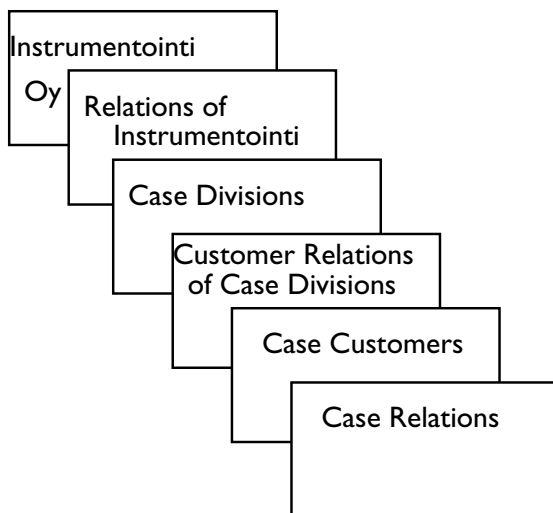


Figure 1: Structure of the case study description.

1 Instrumentointi Oy

Instrumentointi Oy's mission is to continuously develop products and services that meet customers' operational requirements and to ensure customer satisfaction

by providing maintenance and modification services throughout the system's life cycle.

The company, located in Tampere, is a high technology family enterprise founded in 1960 under the name of Automatiikka-Asentajat. Today, the company's operations in three lines of business – industrial automation, service (petrol) station automation and defence technology – are divided into six divisions, each responsible for returns.

The revenue in 1996 was approximately US\$ 30 million and the number of employees exceeded 500. The company's central administration takes care of personnel management, commercial management and the maintaining of financial registers, together with some higher level marketing. Other activities belong to the divisions.

The oldest of the business lines, **Industrial Automation**, consists of an **Engineering Division** (founded in 1979) specialised in the design engineering of industrial automation and in turnkey deliveries, as well as an **Installation Division** (formerly Automatiikka-Asentajat) specialised in the installation and maintenance of industrial automation and process electrification.

The second oldest line, **Defence Technology**, is divided into an **Avionics Division** (founded in 1973) responsible for modification and maintenance services and the maintenance concept design of avionics devices and equipment, and a **Special Systems Division** operating in air defence technology, simulation systems, security systems, and command and control systems.

Service (Petrol) System Automation, or **Service (Petrol) Station Systems Division**⁴⁸ originates from the electronic department that was founded in 1974 to develop self-service instruments and devices for petrol stations.

The origin of the newest division, **Display Systems Division**, rests on the purchase of product rights in 1995 and the employment of a person familiar with the products, their techniques and marketing. As such, the potential target markets and customers for the new products were unknown to the case study company but the purchase was expected to bring in technological advantages and synergy. Thanks to the success in the markets, the company was able to employ more personnel and the activities that were previously under control of administration were transferred into this new division in autumn 1996.

Of six divisions, four took part in this study. These are, in alphabetical order, the Avionics Division, the Installation Division, the Service (Petrol) Station Systems Division and the Special Systems Division.

⁴⁸ The division was sold in November 1999.

Instrumentointi Oy

Instrumentointi Oy					
Lines of business	Industrial Automation		Service (Petrol) Station Automation	Defence Technology	
Divisions	Engineering Division	Installation Division	Service (Petrol) Station Systems Division	Avionics Division	Special Systems Division
Products	<p>specialised in the engineering and holistic deliveries of industrial automation</p> <ul style="list-style-type: none"> - automation and electrification design - application software - equipment - testing - introduction 	<p>installation and process electrification of industrial automation</p> <ul style="list-style-type: none"> - collaboration with the Engineering Division - own projects 	<p>fuel dispensers service station automation systems maintenance of equipment</p> <ul style="list-style-type: none"> - production, product development and marketing - new supplies to existing systems - new holistic systems - tailored design, installation, introduction and maintenance 	<p>measuring devices and equipment aviation electronics ship and defence electronics</p> <ul style="list-style-type: none"> - maintenance and repair <p>communication and navigation equipment</p> <ul style="list-style-type: none"> - sales 	<p>system development and system design services and equipment</p> <p>military training, management and control systems</p> <p>information security solutions</p> <ul style="list-style-type: none"> - for information systems - payment terminal security - key control systems
Collaboration		<p>Pohjois-Suomen Automaatiourakointi OY PSAU</p> <ul style="list-style-type: none"> - a subsidiary of Instrumentointi oy - installations and maintenance in Northern Finland 	<ul style="list-style-type: none"> - collaboration with oil companies and end users in many different market areas - more than half of the production is exported <p>Insta Systems Sverige Ab</p> <ul style="list-style-type: none"> - a subsidiary of Instrumentointi oy - responsible for marketing and selling in Sweden <p>A/S Gasser</p> <ul style="list-style-type: none"> - a joint venture company in Tallinn, Esthonia <p>Instrumentointi oy is a member of PEI (Petroleum Equipment Institute) and C.E.C.O.D. (Committee of European Manufacturers of Petroleum Measuring and Distributing Equipment)</p>	<p>The division has a Paneuropean repair shop license JAR 145</p>	
Customer Industries	<ul style="list-style-type: none"> - mechanical wood processing, bulk lines and chemical pulp - power plants and stations - paper and cardboard - chemical industry - dairies - food industry - water and waste water industry - engineering industry 		<ul style="list-style-type: none"> - fuel distribution 	<ul style="list-style-type: none"> - military aviation - civil aviation - security ensurance in society 	<ul style="list-style-type: none"> - security ensurance in society - railways - banking - telecommunications

Figure 2: Overview of the case company: lines of business, divisions, products, collaboration partners, and customer industries.

Markets

The company operates internationally with its main sales coming from domestic markets. Traditionally, the Installation Division has participated in international construction projects as a subcontractor. Due to the merger of Finnish oil companies, which meant a loss in the domestic market share for the company, the emphasis of trade in Service (Petrol) Station Systems Division has shifted over to international business with most of the equipment going abroad. Lately, the Special Systems Division has also increased its trade abroad.

According to the managing director, the company's competitive situation varies according to the industry. In defence technology, specifically avionics, there are about ten competitors, with each one partly specialised in different areas. Actually, only a few real competitors exist. With respect to the special systems, the number of competitors varies in different product lines. In the area of industrial automation, specifically installation, there is one competitor of the same size as the seller's division and tens of smaller competitors. In service (petrol) station systems there is one Finnish equipment producer while in the area of maintenance the number of competitors is higher. However, international equipment manufacturers are severe competitors in the markets. In the future the company expects more competition internationally. In Finland, however, major changes in the competitive situation are not foreseen.

The managing director sees the high technical quality of products and the personal communication with customers as the company's strongest competitive advantages. The marketing portfolio (multiple markets), together with the personnel's freedom to operate, are seen as meaningful competitive advantages, as are their engineering skills. In addition to the holistic competitive advantages of the company, every division has its individual advantages; in the Special Systems Division, for example, it is creativity.

In spite of the competitive advantage of the marketing portfolio, some disadvantages do exist. From the company's point of view, committing to the customer by offering them multiple products and services is not perceived as guaranteeing a synergy advantage, due to the variety of supply. Internal competition between divisions has its costs too, especially concerning the allocation of resources for developing different lines of business.

Marketing

Traditionally, the company has purposefully kept a low profile because of its oldest lines of business. Thus, it has been well known among its target groups in the business-to-business markets but fairly unknown to a larger audience. Only in recent years, with new products in the palette, has the need for a higher profile image emerged.

Actions have been taken in order to get more visibility; the company started systematic image marketing in the middle of the 1980s. The identity

communicated is that of a modern, trustworthy Finnish family enterprise, not too large, not too small. Building a higher profile has been carried out stage by stage. At the time of the interviews in 1996, the third or fourth round of strategic building was taking place, according to the marketing manager, the owner of 80% of the enterprise.

In the company, **marketing is defined as activities aimed at getting invitations for tenders.** This includes identifying customer needs. Once a bid is received and the customer and its need are identified, the activities of the company are defined as sales.

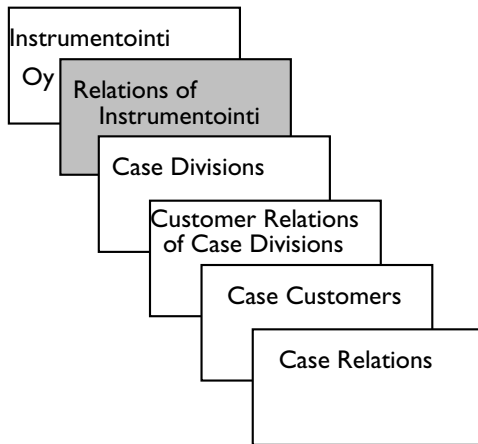
Ways of marketing vary in the company. In addition to the top-level relation management, marketing in divisions to a large extent involves keeping in contact with the customers. Marketing includes delivering information on new technologies and getting feedback from customers. This is crucial in the technology industry where products quickly become dated.

In the company, the board of directors (including directors of the divisions) defines the objectives for divisions. These objectives are given in figures yearly in the company budget. Every division takes responsibility for its own marketing and other activities, in order to meet the objectives given by top management. Strategic decisions, like purchasing display systems technology or going international, are made at the company level.

At the company level, marketing is mainly about creating and maintaining a positive company image. However, three or four meetings are arranged yearly where the directors of the divisions report on the current situation. Both customer and competitor fields are discussed and evaluated at these meetings. In addition to this systematic monitoring, casual information about the markets is collected.

In practice the role of the marketing manager, in addition to relationship management, is to take care of marketing activities – transmitting company level information and announcements, purchasing business gifts, etc. Additionally, the marketing manager or the managing director must approve the divisions' plans for participating in fairs, for example.

The internationalisation of business also brings new dimensions into marketing, and the successful managing of international relationships is seen as a new challenge for the company.



2 Relations of Instrumentointi Oy

2.1 Introduction

Relations with customers have traditionally been considered important in the supplier company, although lately relations with other stakeholders have gained more attention. Important stakeholders, in addition to customers, are suppliers, subcontractors and financiers. Different city and district organisations like the chamber of commerce are considered stakeholders, too. Actually, according to the managing director, the local commercial and industrial organisations can all be considered stakeholders. Educational organisations like universities, technical colleges and vocational schools play a substantial role in searching for prospective employees. In the managing directors view, one of the company's strengths is in its good relations with the producers of potential staff.

In all industries, good personal relations guarantee the exchange of unofficial information, for example concerning the competitive situation in a bargaining process. However, differences in relations exist. From the seller's point of view, the difference between the representatives of private and public sector organisations lies in the way they communicate. When bargaining in the private sector, direct figures concerning the wanted or expected prices may be given, while in the public sector bureaucrats tend to be cautious in their expressions and only give hints about issues.

In business, relations among people are seldom lasting. Usually the role of a person in an organisation determines the relations in the network within which she or he operates. In this company, top-level relations to people in different organisations tend to be rather superficial due to the rotation of personnel. Personal friendships occur between the directors and the representatives of the customers at the division level.

Top management's ability to create new contacts and relations is the most important asset in business for the seller company. In many organisations, of

which the Finnish Defence Forces⁴⁹ may be the best example, job changes are frequent. Accordingly, personal acquaintance with both the current holder of a position in an organisation and any potential successors is essential for the future of successful business relationships at management and division levels. In the case company, the rotation of Defence Forces' personnel is monitored frequently in order to update the register of current and potential key people.

The importance of being a trusted person is great because, according to the managing director, companies tend to be personalised at the level of top management. Knowing the company on paper is very different from knowing the managing director. To approach a company with a familiar director is quite different from approaching a company whose representatives are unknown.

As an example of the implications of strong organisational relations, the managing director recalled his own entry into the company. His professional background was in a different industry and he was not known to the customers before. He states:

"In my case, the good old relations between the company and the Finnish Defence Forces enabled me, coming from a totally different industry in 1991, to create good contacts with new customers. Thus, trust in the company decreased the perceived risk of the customer in the case of a change of the managing director."

2.2 Customer Relations

Divisions, usually the directors and their closest staff, are responsible for the customer relationships. This responsibility lies partly on the shoulders of top management. The extent of the involvement varies from industry to industry. As the managing director says:

"In relations, we have to take the customer's view. In some cases, the representatives of the customers with whom our people interact do not want us to create relations at the higher level. This may depend on how important a person wants to be. Somebody wants to take care of things herself or himself and does not want multiple levels or passing ways."

⁴⁹The Defence Forces are under the command of the Chief of Defence, who is directly subordinate to the President of the Republic in matters related to military command. The Defence Staff functions as the supreme headquarters of the Chief of Defence. The Defence Staff is subordinate to the Chief of Defence in matters of military command, and in administration matters comes under the Ministry of Defence. The Chief of Defence leads the three Commands (Western, Eastern and Northern) and the Air Force and Navy. The Navy and Air Force are independent services led by Commanders-in-Chief with their own headquarters. The Commanders of the Commands and the Command headquarters are responsible for preparation and leadership of the military defence of their area and of co-ordinating defence preparations with the different services and authorities. In these issues, peacetime Commanders are the military leaders of all the military provinces and army troops within the area under their command; the Command headquarters is the highest administrative body of these troops.

In the defence technology industry, the top management of the seller company has tight contacts with the top management of defence forces, i.e. the body of generals, ministry and the local top of the hierarchy. In this sector, relations at the top level play a critical role even though the actual bargaining is done at a totally different level. Contacts with the Finnish Defence Forces are taken care of arm by arm. The main branch for the case company is the Air Forces. Concerning the creation and maintenance of image, marketing occurs at many levels. The levels of interaction between the case company and the Finnish Air Forces are shown in Figure 3.

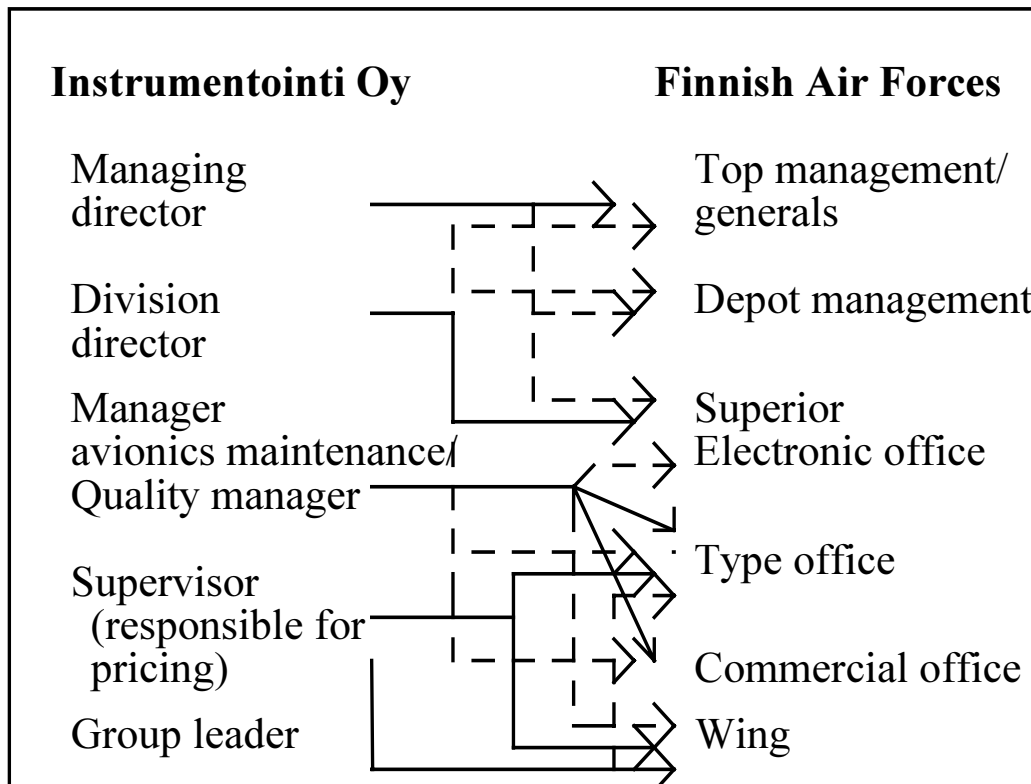


Figure 3: Interaction levels of a relationship between Avionics Division and Finnish Air Forces.

In service (petrol) station automation, both in Finland and abroad, top management has few customers with whose top management they have relations. With others, contacts are at lower levels. In the industrial automation industry, relations with the top executives of the large customer pools are rare. Top management traditionally has relations with the directors of the special branches, for example the automation and electric branch. They communicate with specialists. In projects, the highest customer level is usually project managers. However, in the 1960s when the Neste group was smaller the managing director of the case company and the managing director of Neste communicated with each other. According to the managing director, this has changed because of the

narrow sector in which the company is operating within the larger industry of construction, for example paper factory or paper machine.

According to the marketing manager, the most important customer top management is that of the Finnish Defence Forces. Second in importance for top-level marketing and relation management is the top management of oil companies. This is followed by the top management of some industrial companies and then public administration of the country.

Relations with the Finnish Police, for example, are not expected to grow to the extent of those with the Defence Forces due to the smaller amount of mutual business. The existing top-level relations to the police have been born through contacts made during bargaining processes. Contacts include both local police authorities and representatives of the Ministry of Interior.

The emphasis on relation management activities at the top level varies according to the projects or potential projects under work. Of the time top management spends on customer relations, most is directed toward the Defence Forces.

In practice, relations are taken care of by inviting the customer to company premises or by meeting them in the customer's own offices. Especially with a new customer, the seller will want to present their factory, enabling them to market the company as a whole. Even if there is an industrial project under focus, the management wants to present its other lines of business in order to create a positive company image. An informal social happening may be combined with the formal presentation of the company.

In addition to the managing director and the marketing director, the staff manager and the director of finance participate in customer contacts every now and then. The director of finance is more heavily involved in company image marketing directed towards financiers and other stakeholders than that directed towards customers.

The reasons for top management's participation in customer relations are many. Customer projects are, as in the case of the Hornet fighter maintenance, very long-term and thus the functional commitment of the supplier (in this case the seller company) is crucial. In top level relations the supplier convinces the buyer of the company's commitment by informing the buyer of the inputs. Large projects are usually discussed and lobbied at the top level in order to promote sales.

The purpose of top level contacts is to create and maintain the image of a trustworthy supplier. In daily business, conflicts emerge during projects and are usually handled in project groups. A few times a year, however, situations occur where top management has to interfere to find ways of moving past the conflict. These situations always concern larger questions of principle that affect the monetary status in focal relations. Either the customer makes a major reclamation, or contracts can not be held and thus penalties have to be paid. Furthermore, although the operative responsibility of the functions is in the divisions, customers may call the managing or marketing directors to make a

complaint, especially in the evening. In such cases, the situation is taken care of as diplomatically as possible and later resolved intra-organisationally.

Customers are ranked by the seller company, though not officially. An example of the ranking given by the managing director comes from the Industrial Automation Division, though the same goes for every division. The first customer group of the division is formed by central industrial factories. They are frequent customers – clients. In another group are customers for whom the division is a subcontractor. The third group consists of occasional customers, some of whom are known to be one-time customers with whom one cannot expect any new deals for at least ten years. The others in this group buy services every now and then.

The managing director declines to call their ways of creating, maintaining and developing customer relations a system. Every division has in their quality system handbooks rather general-level instructions and references to these issues. However, they are conscious of this area in the company. To energise relations, certain customers are annually taken to Lapland for a weekend, whatever the current workload they offer. This tradition has been practised for about a decade. Additionally, a group of minor customers is invited to visit the company premises for a day. Every division also has its own ways of taking care of its customers.

2.3 Other Stakeholder Relations

Financiers

For the marketing of the case company the most important stakeholders are, according to the managing director, customers. Second come the financiers. Their importance for persistent business activities has grown substantially during recent years. Having been a so-called "one bank enterprise", the company now divides the monetary risk among many financiers.

The relations to the financiers are fully taken care of by central administration, and divisions have no role in this. Decisions about financial issues are made in a group formed by the managing director, the director of finance, and the marketing director, and whose role is that of owners. The director of finance takes care of practical issues and his responsibilities include the relations to the financiers. In the divisions, the economic needs for financing the projects are calculated, and the calculations are presented to the administration that settles the money.

Today, the financiers are interested in the future view of the business while earlier their interest was concentrated on the firm's history, its latest profit and loss account, and its balance sheet. In practice the top managers of the case company regularly meet the financiers, either on the company premises or elsewhere, to discuss the current situation and to evaluate the future visions of the business.

Personnel

Company personnel is ranked as third in importance for marketing. In the managing director's view, they must have a realistic vision of the business' future – neither too pessimistic nor too optimistic but realistic and positive. If they do not, motivation will be negatively affected which in turn will affect the functioning of the company.

To motivate the personnel to adopt a customer view, marketing knowledge and customer orientation is produced by educating staff in the fields of marketing and personal bearing in sales situations. The former is conducted by outside educators. Traditionally, people in roles where customer contacts are important are trained by letting them take part in different marketing and sales situations. Another important issue in marketing – service orientation – is not systematically highlighted in the company though some educational activities have been organised around this theme.

The role of internal marketing is seen as a challenge by the managing director. Due to the various profit units operating in different lines of business, the risk of internal conflicts is high. The divisions are fairly independent and the perceived importance of other divisions varies greatly. Thus, situations emerge where the perceptions of functions in other divisions may be fairly negative. *"In a company like ours with different units and different personal groups within the units, envy and other similar issues easily occur between groups if there is insufficient information."*

Potential conflicts are proactively taken care of through dialogues and information exchange during management group meetings that serve more as a forum for discussion than a place for decision-making. In addition, a company newsletter is used in transmitting information.

Suppliers

The company's many relations to suppliers and subcontractors are entirely in the hands of the divisions and no individual supplier has a substantial role from the company perspective. However, if asked by divisions, administration may provide information on the background and credit information of current and potential supplier companies.

In the supplier field, changes occur due to the mergers and acquisitions of the firms. Even though the company is not aggressive in letting the potential suppliers compete, it monitors supplier markets frequently. However, changing suppliers always requires some other reason than price. The most important reason is product quality. *"If the problem cannot be solved in a moderate time, we are compelled to change the supplier."* Second comes price, especially in components. Third is delivering capacity and flexibility in deliveries particularly counts in supplier relations.

Authorities and Politicians

Due to the lack of heavy local business, no tight contacts with the local decision makers occur. The city managers are acquainted with the top management of the company and have even visited the premises. However, the city has shown very little interest in participating in different development activities suggested by the case company.

The leading authorities of the local economy are frequently contacted. The managing director compares the depth of these relations to the relations gained through acting in the Chamber of Commerce.

Politicians are a stakeholder group affecting, in particular, the defence technology industry that interacts constantly with the government. They have a substantial indirect effect on the future business. According to the managing director, an example of this influence is in their attitude towards private industry working for the government. Despite the important role of politicians, the company has not made any efforts to lobby them, although authorities in the Ministry of Defence have been contacted.

Professional organisations

Relations with the Chamber of Commerce, the Confederation of Finnish Industry and Employers and the Federation of Finnish Metal, Engineering and Electrotechnical Industries, as well as with other local organisations are the responsibility of the managing director.

Usually, spreading information through these kinds of channels is rather hopeless. As the managing director puts it:

"What is known about some firm in those circles is usually the name of the company and the names of some managers. Without a business relation, people tend to rapidly forget what the actual business of a certain firm is. In our case, for instance, people usually remember only one part of our lines of business, for example, the electronics of Hornets or a gasoline pump".

Social organisations

At the company level, contacts with social clubs like the Rotary clubs and Lions are not systematically preferred even though individuals belong to them as private citizens. The marketing manager's former career, as an international ice hockey player, and his current position as board member of an ice hockey club, however, does affect the social entertainment usually offered to customers.

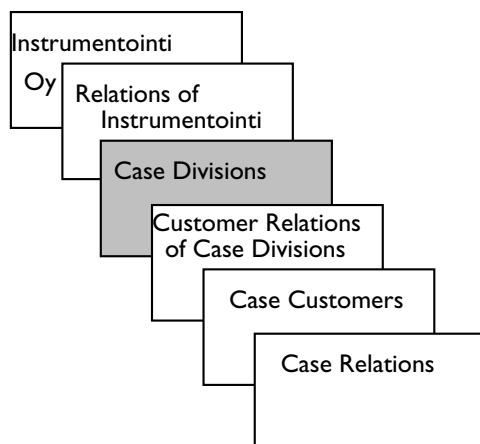
The meaning of social relations in potential business depends, according to the managing director, on the closeness of potential markets. In the near district the network of social relations is dense, in the national surroundings it thins a bit, and

internationally the seller company recognises multiple holes in the network of social relations.

In the case of the purchase of the display systems product rights, company management expected the social relations of the marketing manager to bring in customers from the sports industry. However, due to the lack of economic resources of the potential customers, the marketing efforts in the sports branch were not successful.

Local and national social networks are seen to support the company's business efforts abroad. If not competitors, the members of these social networks may spread information about the focal company and its products to potential customers as well as information about potential customers to the focal company.

Concerning the stakeholder relations outside the company, there is a clear distinction between the responsibilities of the managing and the marketing manager. The managing director participates in the activities of different professional organisations and official boards of directors. The marketing manager is a member of a local commercial club and some boards of directors.



3 Case Divisions

3.1 Avionics Division

The Avionics Division, founded in 1973, is responsible for maintenance and modification services and takes care of the maintenance concept design of avionics device and equipment. In 1996 the division launched a new electronics repair workshop. Additionally, the division's mission is to support the Finnish Defence Forces by selling devices for communication and navigation, as well as electronic equipment needed in their operational and supportive systems. The Avionics Division is an agent of an American device and systems manufacturer.

The products sold are communication equipment, navigation devices, defence electronics and components. In the maintenance and repair unit, aeroplane electronic devices like gyroscopes, aneroid meters, electric mechanical meters, oxygen equipment, communication and navigation equipment, as well as electronic calculators, are taken care of. Additionally, the maintenance of ship electronics and defence electronics belongs to the service palette. In accordance with this, the division provides documentation which includes technical instruction books, their translations and copying.

In 1996, the number of employees in the division was 57. Two people were engaged in buying and selling while others operated in maintenance and repair. The revenue was approximately US\$ 3 million.

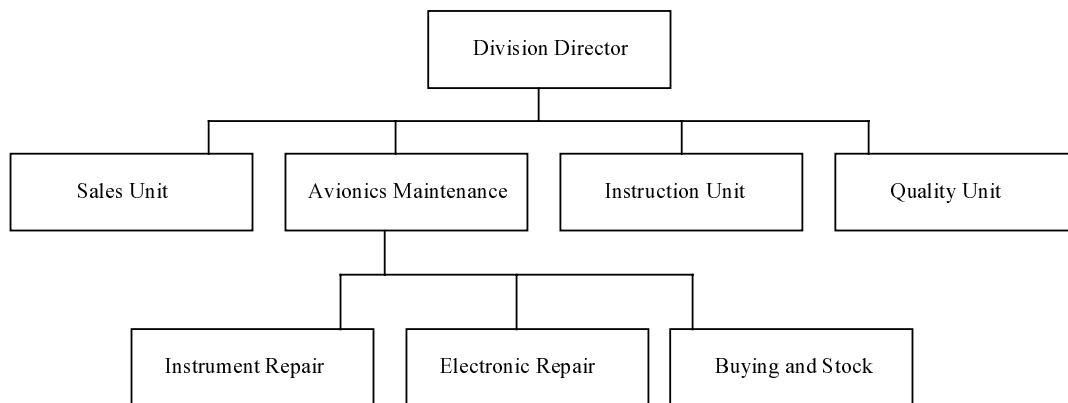


Figure 4: The organisation of the Avionics Division.

Almost all repair and maintenance is done on the supplier's premises, in the repair shop. Concerning the development of business, suppliers' representatives may even travel abroad with customers.

In this line of business licenses play a substantial role. Relations with equipment manufacturers have led, in about ten cases, to contracts that allow the company to act as the only authorised maintenance shop in Finland or Scandinavia. This co-operation ensures all possible help from the manufacturers.

In addition to the repair shop licenses granted by manufacturers, the Finnish aviation authority has given a license based on the maintenance procedures manual, fulfilling regulations AIR M 13-3 (a Finnish license) and JAR-145 (a European repair shop license). Furthermore, the company has a license granted by the Finnish Air Forces and a quality certificate from the Finnish Defence Forces. Another license, FAA, for repairing American planes, has been granted recently. All the licenses are valid only for a certain period of time.

Industry characteristics

The products in focus are investment products with a life cycle of about 30 years. The time period between maintenance varies from 300 to 22,000 hours of use with an average of 2000 hours.

Educated personnel and equipment are needed to fix components. That, however, is not enough and a real-time manual is compulsory. According to the rules and regulations of the branch, the manufacturer of equipment has to produce a manual for the product. When selling an aeroplane, the manufacturer has to supply all manuals. There is the main manual with three meters of documents and then there are thousands of parts all with manuals of their own. In avionics repair and maintenance alone there are about one thousand different parts. The manufacturer has to update the manuals constantly. Manuals are owned by the owners of the aeroplanes. Thus there is a distinctive dependence between the private service units and the equipment owners in cases where a manufacturer has not authorised the repair shop.

The branch is heavily regulated and controlled. The case seller firm is frequently controlled by the authorities and is checked every six months during the two-years license period. According to aviation law, the business can be stopped in three days if it does not obey the rules and regulations.

The culture of the branch consists of several layers. First, there is the general aviation culture which is global. Then, defence aviation has its own culture, regulations and ways of acting. The Finnish Defence Forces' generals move in their posts frequently. So the seller must be well aware of the potential and be able to rapidly create a trustful relation with the new decision-maker or influencer. To ensure the personal relations and exchange of information in the branch, both the managing director and the division director participate in different national defence organisations.

Taking into account both services and sales, traditional marketing of the new technology and equipment does not work in the public sector. In these relations the initiative for trading always comes from the customers who decide their needs without communicating with potential suppliers. After making the decision to buy, customers look for potential suppliers. Therefore it is important to transmit information about the existence of potential suppliers by word of mouth. Market forces play a much larger role in civil aviation than in defence aviation where a low profile is preferred.

In the industry, buying units do the purchasing in most of the customer organisations. After having decided on the device or equipment, technical experts direct the purchasing task to the official buyers. Thus, interaction usually exists between the same people even though the goods may change. The frequency of single deals may vary considerably. In some branches, customers may have a five-year silence between deals. In the public sector, with trade being totally dependent on public funds, customers and suppliers cannot predict the amount of economic exchange in their relations.

3.2 Installation Division

The Installation Division is a part of Industrial Automation. It contributed 39% of the total revenue of the company in the fiscal year 1996. The department staff consists of the department director, two project managers, an assembly manager, buyer, office and stock staff on the premises, plus project supervisors and assemblers, mechanics and electricians in the field. The department has two subsidiaries – one in Oulu, in Northern Finland, and the other in Rauma, on the west coast of Finland.

The product supplied by the unit is usually a project, which involves checking instruments acquired by the buyer, providing material for installation, installing the instruments, testing and introducing them. In addition to projects, the division offers repair and maintenance services to different industries.

Industrial automation is used in several industries and processes, such as the mechanical wood processing industry, power plants and stations, paper and pulp industry, waterworks and waste waterworks, chemical industry, conveyor systems and warehouse systems, dairies and food industry. Industrial automation consists of instrument and electric installation, including installation of ventilation and hydraulic equipment, cabling, etc. Typically, industrial automation is the last phase in a construction project and is preceded by building and plumbing installations.

Industry Characteristics

The service of the case unit is either a part of the investment in the customer's production resources or the maintenance of such an investment. Paradoxically, in a business boom companies in many industries want to invest in enhancing their production capabilities, while during a recession investments are cut down. Thus, projects in different industries may be simultaneous.

The industry is labour-intensive and human resources and their competence are crucial for the business in automation installation. Due to a sensitivity to economic fluctuations, employers can only make contracts with the assemblers, mechanics and electricians concerning one project at a time. Thus the labour must prove their skills and competence on every work occasion in order to guarantee further opportunities for themselves.

Typical of the industry is the difficulty in predicting workloads, which forces the industry to act short-term. For example, after two even years with approximately US\$ nine million sales for the division, in 1997 the expected revenue, based on industrial investment prospects, was eight million dollars, which turned out to be far too low. The actual revenue was over 11 million dollars.

In booms, the problem of the industry is the so-called "grey labour" used in projects whereby companies employ labour without taking on the legal

responsibilities of an employer. This has an impact on quality and safety issues in the industry, and will be discussed later with the case relations.

There are 20 to 30 service suppliers in the industry and not all of them are competitors of the case company. The market share of the company is about 30% while in big projects it is 50 to 60%. In big projects there are two other potential suppliers in Finland, while in small projects, smaller local suppliers are competitive due to lower costs for labour. There is competition in the market but the case company also co-operates with at least two of its competitors.

On the buyer side, the number of decision-makers in the branch in Finland is limited to about 200. Thus, most of the buyers and sellers know each other as well as they know each other's reputation. Word-of-mouth communication is used widely in the business.

In the branch, the bargaining process of a project is initiated by a buyer who usually sends invitations for tenders to between three and five potential suppliers. In many cases buyers have already checked the ability of potential sellers to handle the project. In the case of a new supplier, buyers check the economic background, human resources and references of the potential suppliers. In the case of well-known parties, their possibilities are checked orally before sending the invitations. Depending on the project, the time allowed to make an offer differs from a couple of days to a couple of weeks. The invitations for tenders include technical specifications for the project.

After receiving the tenders, technical negotiations may be conducted between the buyer and one or all of the bidders. On the basis of the negotiations a new offer may be made, followed by commercial negotiation. The buyer's design engineer usually participates in technical negotiations, while in commercial negotiations the sellers' representatives and the buyers of the customer company interact. The role of technical experts during buying procedures varies from company to company; if the technical manager of the buying company is weak, the buyer has the power and vice versa.

In bargaining, sellers' contacts with the other party's decision-makers, aimed at positively affecting the decision-making, are a natural part of the process. Depending on the customer and the project, the levels of the influencer unit vary from division management to top management.

In the bargaining of the construction branch, price is often crucial even though factors like labour resources or reliability in delivery times may be the main criteria in closing the deal. Typical for the industry is that buyers send invitations for tenders during the phase where plans for the project are incomplete and this is done to ensure labour resources for the project. Thus, additional work not calculated in the bids usually occurs during the project. This is taken into account when negotiating a deal, and sellers are obliged to exceed the agreed amount of work up to 20% within the delivery time by providing extra hours or extra workers to fulfil this commitment. This expected extra work is calculated in the tenders to give the right price offering. In the bid, different operations have unit prices that are also used for the extra assemblies. When the project is ready, the parties compare the operation's plusses and minuses with the original contract and

agree on extra invoicing. In many cases the total sum of extra invoicing may exceed that of the original contracts.

Parties make a written contract for every project. They agree on the quality and the quantity of the purchase, the price and terms of payment, the terms and the time of delivery, and responsibilities and dangers. As well as liability for damages, insurance, sanctions on exceeding the date of the delivery, technical co-operation during the project, duties and options for change during the project and control of the project all belong to the contract. Furthermore, regulations of the assembly and its inspection, inspection of introduction and delivery, guarantees (both technical and functional), subcontracts and rights of patents are written down in the contract. The parties also agree on regulations for calling off the deal, force majeure situations, appropriate purchase regulations, appendices, the law concerning the contract, and rules for handling conflicts.

The time span, from the closing of the deal to the actual start of the project on the customer's premises, differs from a few days to several months. During this time the supplier orders the material needed for the project, chooses the supervisors and other labour (in larger projects, typically 30% electricians, 25% technicians and 45% instrument assemblers). Tailored equipment such as field cupboards, scaffolds and supports needed for the project are built in the meantime.

3.3 Service (Petrol) Station Systems Division

The number of employees in the division varies to some extent and at the time of the interview (summer 1996) there were between 90 and 100. In production, the number of workers is 40, in the technical service 30, and in marketing and sales three. The division's customers are oil companies both in Finland and abroad. The organisation of the division is depicted in Figure 5.

The division operates not only from the company premises but also has subsidiaries, sales offices in Stockholm, Sweden and in Riga, Latvia. In Sweden the company has contracts with a wide maintenance network to ensure a maintenance service that covers the whole country. Furthermore, in Tallinn, Estonia, the division is a minor shareholder in a joint venture, in charge of activities while the other party takes care of installation and maintenance.

The division provides complete service (petrol) station systems tailored to meet specific customer needs. A complete turnkey system includes the necessary piping, tank installation and electronics. They also supply high-quality components for existing service station systems. Products of the automation department are Forecourt payment terminals and Forecourt controllers. The dispenser unit is responsible for different pumps and technical service takes care of maintenance through their extensive service network and spare parts service.

In addition to physical components, equipment and software, the division provides installation, after-service and maintenance contracts to customers. Technical checking and project supervising also belong to the product palette.

This division is the only Finnish company offering such a comprehensive product selection in the branch.

The maintenance branch in Finland is highly competitive. There are 40 to 50 enterprises varying from man-and-car to larger automation producers with substantive maintenance service. In payment terminals the case company takes care of all equipment it delivers. In fuel dispensers its share is about 40%.

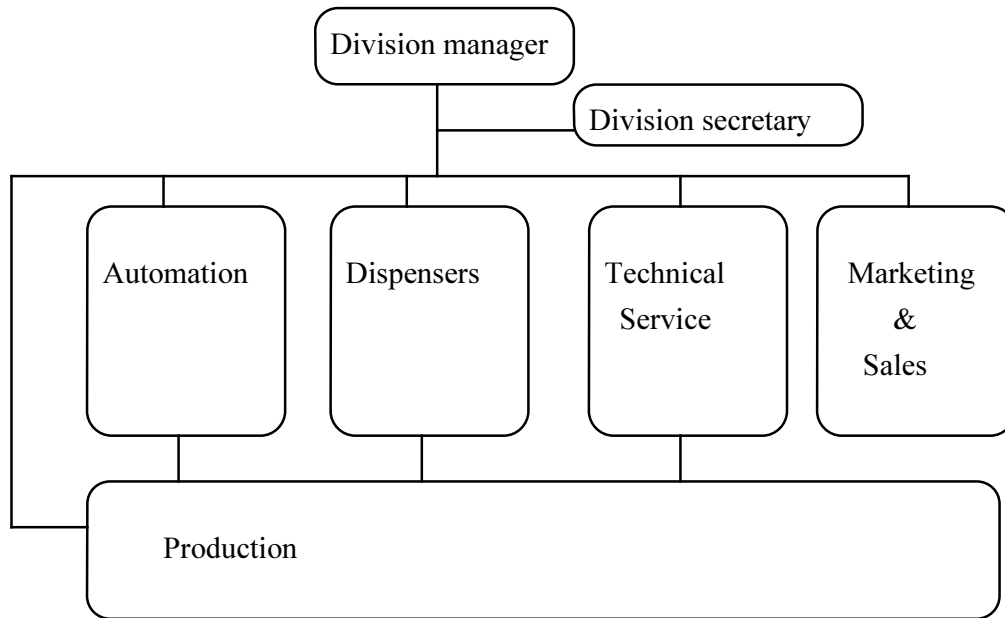


Figure 5: The organisation of the Service (Petrol) Station Systems Division.

Product development is based on customer needs and wants as perceived in the field. No customers, however, are involved in this technical development. Fuel dispensers, having the same technical core, are tailored to meet singular customers' needs mainly using colours and language. Concerning software, payment terminals are fully-tailored independently for each customer while the mechanical outlook, with a certain number of rows in the display, for example, is the same on each piece of equipment. The diversification of terminals also includes the customer's own colours while the form design is the same for all.

Marketing strategies of the division are agreed upon in a credit group consisting of the product managers, the production manager, the manager of maintenance, the marketing manager, and the division director, who has been in the company over 16 years. All the people who come into contact with customers are responsible for marketing. The marketing ideology is based on creating value for customers and on long-term customer relations.

In the division, marketing and selling functions and maintenance (technical services) are separated from production because of the growing number of customers. Thus, marketing function has an intermediating role: it represents customers inside the division while, to outside customers, it represents the

company. In trading, marketing is the link between customer and production. Customers make contact with marketing people, not with the production manager. In bargaining, the production unit's role is to set the limits for delivery times on the bases of the production capacity. Usually, in customer contacts, the production unit does not participate while product development people do. In some cases, the production unit may interfere if they have received customer feedback.

Weekly meetings are held among marketing, production, and product development departments of the division. In these meetings, production programs are updated and the agenda is based on customers and their needs.

Compared to competitors, the division perceives their marketing to be more engineering oriented. They use more technical arguments than competitors, who may be more skilful in other areas. A substantial change in marketing in the 1990s has been the increase in exports due to the saturation of domestic markets. Operating abroad requires a proper co-operative network so that, more and more, marketing means co-operative relationships with partners, and marketing activities are directed towards them as well as towards end customers, i.e. fuel distribution companies and service station managers. In the 1980s actions were directed straight towards end customers while, today, new customer relations are often initiated at different fairs. Earlier, participating in fairs was still unknown to the division but today the division looks for dealers, partners, system integrators, etc. at fairs. Additionally, different organisations in the line of business are an important source of potential partners.

Industry characteristics

The low number of actors, both in suppliers and customers, is typical for the branch. In all large oil companies the buyer unit making the purchase is totally separate from the field stations where the products are installed and used. Small independent service station owners have wholesale co-operatives competing with large oil companies who may have service stations for their own use.

Legislation plays a substantial role in the industry as does the global political and economic situation. Environmental norms, for example, are expected to become more strained, which may affect the activities in the branch.

3.4 Special Systems Division

The other division of Defence Technology, Special Systems Division, originates from the Avionics Division where the first deliveries of special systems were accomplished in 1984. The number of employees in 1996 was about 70, working in four functional subsections: air defence technology, simulation systems, security systems for demanding environments, and command-and-control systems.

Products of the special systems are simulators and simulation systems, gun control systems and anti-aircraft (AA) gun modernisation, IT (information technology) security systems and products, air defence command, control and data link systems. Also, the maintenance (e.g. software updating and physical maintenance) and repair servicing of these products is taken care of by the division.

The division operates on two levels: On one level there are projects producing the solution a customer wants and on the other level there is ready equipment and devices developed during previous projects which are sold as such. In addition to that, the division offers repair and maintenance services, spare parts, education, installation and documentation services. Actually, there is no equipment without documentation.

The key issue in the division's marketing is solving the customer's problem. In this case unit the director defines marketing as offering. It includes everything from the buying function to production to product development. In the branch, the time span in marketing differs a lot depending on the product sold. Operations needed for marketing one's competence require more time and effort than marketing of ready products. In the latter case marketing operations lead more quickly to decisions than in the former case.

The functional organisation of the division is built by products. There are product managers responsible for the whole line: buying, production, product development and marketing. Additionally, a marketing project manager is responsible for implementation of different projects – campaigns, fairs, etc.

All the managers of the division responsible for business started out as designers and developed into project managers who interact directly with customers and take responsibility for projects, which allows them to get involved in customer relations. There is a development manager responsible for developing network relations affecting the division. Should a relation concern only one line of business, the manager of that line takes care of the relation. In daily business, business line managers interact in customer relations.

The strategies of different businesses are formulated for three years by product managers. Annually, the new fiscal year is evaluated numerically when making the budget, and the three-year strategic plans are made.

The substantial growth of the division within recent years has labelled the business. The number of employees has increased greatly and technological development continues rapidly. In the defence and security business, EU directives as well as other regulations have had an effect on the functions of the division.

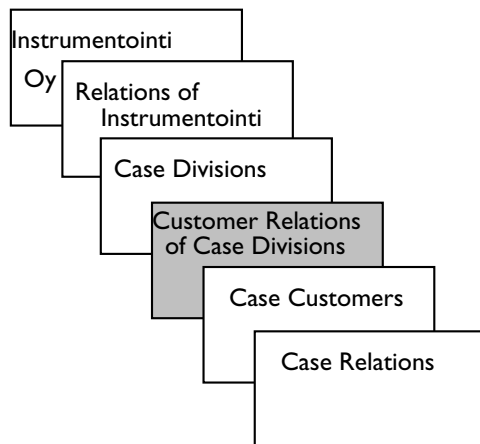
There has been a distinctive change in marketing in this division. Having started in the 1980s, marketing know-how and products, the division today concentrates on product development and on gaining new customers, both in domestic and international markets. Over the course of time, customers have for the most part remained the same but their increased numbers have compelled the division to pursue deeper networking. Furthermore, the importance of different stakeholder relations has been recognised, and more effort has been put into

creating and maintaining relations with partners and subcontractors (all equipment is produced by subcontractors) as well as with higher education institutes as research partners.

In the simulator business, the main arenas for meeting potential co-operators are the more important international fairs where negotiations may be initiated. In the information security branch, participating in certain research projects creates opportunities for finding partners with whom to proceed. A third channel for reaching new customers is through research institute contacts; these differ from the two other channels due to the clearly different points of departure in business.

The importance of references differs from business to business in the industry. Especially in information security, many projects are obtained by the seller due to the references of satisfied customers. In the division, different units serve the same customers. Finnish Defence Forces, as a holistic organisation, is a common customer of all the product lines even though there are many singular relations between the different units of both seller and buyer parties. Customers of simulation systems are, among others, Police and Finnish Railway. IT security systems and products are sold widely to public administration, banks, health care and big business.

Within the case company, the division has co-operation with Service (Petrol) Stations Systems Division and has, for example, delivered payment security systems to customers in Estonia as part of petrol station systems.



4 Customer Relations of the Case Divisions

4.1 Customer Relations of the Avionics Division

The main customer of the Avionics Division is the Finnish Air Forces with an 85% share of capacity. Being responsible for the maintenance of the Hornet fighter electronics, the division can be seen as a part of the Finnish Defence Forces, especially in the case of crisis. Additional customers of the division are the Finnish Frontier Guard, the Finnish Army, the Police, Finnair Ltd and private owners of flying machines.

There are two main target groups in customer relations. First, in military aviation, there are decision-makers – generals in the Air Forces and division managers or managing directors, in civil aviation – who are contacted at least by the director of the division. Second, there is the operating personnel interacting variously with each other, depending on the work flows. With the main customers there are weekly contacts at the operational level and even more frequent contacts at higher levels.

The division has segmented their customers both in services and in sales. In services there are defence forces and others. The customer base is stable and the company is known to potential customers. In sales there are three categories: the Defence Forces with different branches, state administration, and others.

Gaining new customers in the branch is a slow process. Advertisements in professional journals may bring in some smaller customers but the expenses exceed the profits gained from business brought in through advertising. Sellers find that visiting fairs in the role of spectator serves as a means of connecting sellers with potential and contemporary customers. Fairs, different clubs and events offer an ideal setting for meeting.

In addition to the social interaction described, work itself provides continuous possibilities for taking care of relations. For the time being, especially with the main customer – military aviation – the seller sees the relation not as a traditional supplier-buyer relation but as a huge project in which two-week journeys abroad with the customer are made several times yearly. Taking responsibility for the maintenance of some devices of the Hornet fighters, the supplier party regards itself more as an employee of the buyer party.

4.2 Customer Relations of the Installation Division

After 30 years in the business this company is well known in the industry. The division's customers operate in several industries: the dispersion of the business into different industries can be seen in Table 1. The most lasting business relations the division has are with Neste, Enso and Veitsiluoto (Oulu-yhtiö).

Industry Diffusion of the Customers in Installation Division				
	1994	1995	1996	1997
Paper and Pulp	40%	57%	70%	60%
Power	10%	9%	2%	6%
Metal	15%	17%	18%	11%
Chemical	20%	14%	8%	22%
Food	15%	3%	2%	1%

Table 1: The diffusion of the customer industries in the Installation Division.

Among the industries, there are no big differences in the assembly techniques, with the exception of the food industry which has its own regulations. However, differences do exist in the environment. Thus, a knowledge of the customers' processes is required to enable the testing and introduction of the installations.

"Acquaintances are crucial to our existence," as the division director put it. *"The relations with material managers, managers of buying departments and buyers are formal. Technical directors and other men with technical assignments are our friends."* Information about customers and potential business opportunities is gathered by visiting customers' premises and fairs, and from the Engineering Division of the company.

In the 1990s, the customers with whom the company operated have changed in the manner described in Table 2. The number of direct projects with end users has increased by one third, due to the costs of subcontracting to the end user. Also, for the seller, direct contracts with the end user are more profitable. Most of the projects are in the Finnish process industry but the company also operates through subcontracting with domestic principals in various parts of the world. Business with engineering work mainly consists of plumbing installations for Valmet (a competitor) and varies according to Valmet's working situation.

Customer Dispersion of Installation Division				
	1990	1995	1996	1997
End users	58%	80%	85%	90%
Machinery and equipment suppliers	38%	6%	3%	x
Engineering works		10%	10%	8%
Engineering bureaus	4%	4%	2%	x 2%
x = together				

Table 2: Changes of the customer industries in the Installation Division.

In the division, project managers are responsible for the whole project and take care of everything from the calculation of offerings to the final invoicing. There are 15 to 20 projects going on at a time, lasting anywhere from a few days to a year.

4.3 Customer Relations of the Service (Petrol) Station Systems Division

All oil companies operating in Finland are customers of the selling company. The big ones have been customers since the beginnings of the business over 20 years ago. Despite changes in personnel and changes due to the mergers and alliances among customer companies, relations have survived at the company level.

Due to product life cycles of 15 to 20 years, about ten per cent are one-time customers in the area of equipment sales. In the domestic markets, these cases are

usually known in advance. With exports, although continuity in customer relations is good, forecasting is difficult due to the lack of knowledge about the market. That is why co-operation with a local partner is seen to be ideal abroad.

Customers are divided into two types: major oil companies and other individual customers. Concerning the major oil companies, the seller prefers some over others. This preference materialises in the allocation of time and effort among different customers. Finnish customers are, for the most part, long-term customers, while abroad there are fewer with whom relations have been long-term. In the seller company there are two people who typically deal with existing customers. In cases when bigger deals or projects are negotiated, the division director also participates in the commercial negotiations. The marketing manager and division director mainly deal with potential international customers and social relations, even though utilities to trade may not be immediately forthcoming.

Changes in customer relations have occurred to some extent. Even though the greater importance of customers has been recognised, communication with domestic customers has decreased. Social interaction that has not directly had a bearing on business has become more rare. While organisations have grown larger and goal orientation of activities has increased, the idea of setting aside time for interaction aimed at producing a deal one year in advance, for example, has been lost.

The time span for activities has become shorter. Demands on delivery times have increased with customers preferring fast and small series to large deliveries. In the 1980s, contracts on equipment delivery were made annually with domestic customers and commercial negotiations took place once a year. The rest of the time was spent implementing the deal and, at the same time, preparing the next deal. Today, customers let suppliers compete for every deal, so no more than five fuel dispensers at a time, for example. On the service side, maintenance contracts are made for one year at a time. Usually, they become valid for the next year if not terminated from six to three months before the closing date. This means more marketing, selling and negotiating for suppliers, and thus more expenses and less sales coverage. On the other hand, in exports, at the time of the interview, two bargaining processes on the deliveries of tens of complete petrol stations were going on.

Named customer contacts are responsible for certain customers and certain market areas. In projects, both development and other, different criteria for key people may be used. Offers are usually signed by two, the person responsible for the substance of the deal and the commercial person. On the customer side, diversities of buyers occur; some are professional buyers very well aware of what they are after, while others are more technocrats. Interactions with the latter group differ from those with the former one.

In the division's strategy discussions between marketing and sales people, an evaluation of customer relations takes place. The degree of acquaintance with different customers is evaluated, as are the individuals' personal relations to their counterparts' representatives. Another issue to be evaluated is the development of

relations. A table with four columns is made and the four columns are labelled as current, dream, threat and goal stages. Customer relations are then analysed market by market at the current stage. At the dream and goal stages, the division ranks the importance of existing possibilities and potential in the future. On the basis of the current situation and future goals with respect to relations, activities aimed at achieving these goals are then planned.

Control over the realisation of goals is not systematically conducted and recorded during the fiscal year because of the relationally low number of customers. A one-year evaluation period is considered enough to indicate the direction of development in relations, especially when unofficial evaluation takes place all the time.

According to the respondents, maintaining customer relations involves taking care of operational activities: invitation for tenders, offers, receiving an order, confirmation of order, delivery, marketing. In addition to that, the supplier has active dialogues with customers, which aim at finding new possibilities for mutual business. The aim of sellers is to get information about changes on the customer side. They try to meet existing customers monthly to discuss mutual business. The discussions are documented in reports of the proceedings, which are mainly concerned with the new things agreed upon, and in the next meeting they are followed up and new issues are dealt with. In projects, the frequency of meetings may vary, with very intensive and passive periods. In all, during the past years, contacts between parties have become more work-related than they used to be and social interaction has decreased.

Reacting quickly to customer contacts in the case of problem-solving or information-seeking is essential in customer relations. By giving fast feedback to customers, the division can create and maintain a positive image of a trustworthy company.

In the seller division, a document entitled 'Marketing, Quality and Customer Feedback' is produced every Monday morning. In daily operations, feedback received by maintenance or technical services is documented, either for further checking or for an immediate visit to customers' premises. Issues demanding product developments are handled separately and discussed with the customer, often in monthly meetings. Inside the division, the business situation is monitored weekly or monthly based on factors like the number of orders, the number of offers, the invoiced sums per customer, as well as market areas and product groups.

In cases where the seller expects long-term relations to develop, the first face-to-face contact usually occurs on the customer's premises. Thus, the seller wants to position the buyer more carefully than in cases where an exchange of just goods and money takes place between parties. Getting to know as many people as possible on the other side is expected to increase the other party's commitment to the relation. Furthermore, in the interviewees' minds, communication with people one has actually met is psychologically easier than with a stranger. Seeing the potential customers' premises also affects the evaluation of the financial standing and involvement in business, and is expressed through investments. Visiting the

potential customer, the seller also wants to create value for that person by saving his/her time and money.

In domestic trade, customers' purchase personnel have contacts with the sales and marketing people of the seller division. Co-ordinating operations is the job of the sales manager. In addition, the maintenance department interacts with customers' operational personnel. In product development, the customers' specialists interact with the seller's product development personnel.

Customer service is centralised in the division. From there, reports of defects are transmitted to the domestic maintenance service network that actually performs the service. The network is made up of thirteen maintenance units all over the country. Some are independent enterprises while others belong to the seller company. The network has a workforce of approximately 40 people.

In international trade, marketing and selling is the concern of the division's professionals. In Russia and other eastern European countries the installation is usually carried out by local enterprises and supervised by the seller. At certain points in the installation process the supervisor visits the customer. The seller also conducts implementation and final tuning to make the system work. The deal may also include maintenance training for the local mechanic who is responsible for the buyer company's service stations.

The division has had trade in the Soviet Union and Russia over the past ten years. Russian customers are oil companies and other big organisations like mining companies, while other customers are a gas pipe maintenance company with thousands of trucks needing fuel distribution stations for internal use, and a large company (30,000 employees) maintaining petrol stations.

For the time being there are many invitations for tenders on delivering equipment into Russia. Offers are made without further investigation of potential customers while, in the case of a closed deal, payment in advance is required. Several offers of standardised products are made every day. Thanks to the new technology, less time is required for an offer because the basic form is already on the computer. But even after much work, deals are not always made: of 30 offers, approximately one is accepted by the customer. The typical offer, based on the experience of the seller, consists of equipment for the fuel distribution system, steering apparatus, and spare parts for those parts covered by the guarantee. The seller offers a replacement service guarantee for the equipment. Transport fees are paid by the customer but the part is changed and repaired on the seller's premises.

In the maintenance branch, one of the customer oil companies has had, for quite some time, only one maintenance supplier in Sweden. The main company has an international co-ordinator whose responsibility it is to unify functions in different countries. In that process, the seller, having been an equipment supplier, was selected as the single maintenance supplier in Finland. From the seller's perspective, their earlier experience from trade in addition to their country-wide maintenance network was the criteria for the customer's decision. Other Finnish companies were, at the time of the interview (November 1996), negotiating this possibility with the seller.

4.4 Customer Relations of the Special Systems Division

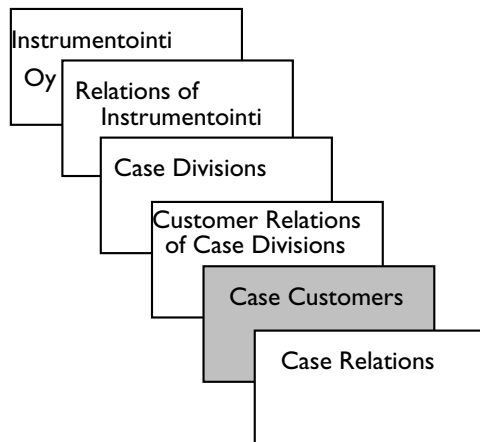
The division's organisation is based on products, so that different product units serve the same customers. All the units have as their common customer the Finnish Defence Forces. Customers of the simulation systems include Police and Finnish Railway. IT security systems and products are widely sold to public administration, banks, health care and big companies.

The division seeks to develop and maintain lasting customer relations. Sales to transactional customers, the end customers of a piece of equipment, are the concern of intermediaries with whom the company is building long term relations. References play a substantial role in creating the marketing network – new customers are gained through existing ones. One way of approaching new customers is through the information security seminars organised by the division. Usually, when approaching a potentially important customer or group, first contact is made with the organisation's top management, who is already acquainted with the company image of the seller.

Widening the customer base abroad has also been done, and in autumn 1996 the first simulators were exported. In marketing, this means the increasing of visibility. The low profile preferred in previous years is being raised. At the same time, product and technology (product development) based thinking has been adopted, in addition to customer-based thinking, where the division has tailored the products for individual customers. New marketing strategies are implemented, based on existing products that will be tailored according to the customers' needs if necessary. This dualism is seen as widening the opportunities for business development.

Segmentation of customers occurs in the division with a preliminary distinction being made into military customers, inland customers and export customers. Concerning military customers, traditions are long and interaction channels are known and solid. In the inland civil trade, many relations are new, developing little by little even though some older relations do exist. In exports, the key issue is establishing the marketing network and finding both agents and partners abroad.

The division has different ways of interacting with customers even though they are officially not classified. Interaction may materialise in systematising the contacts with persons of the other parties so that, for instance, the top management of the Defence Forces and the management of different branches of the military service are invited to visit the supplier company once a year. The second level is taken care of in its own way, and most attention is paid to the operative level, the project people. In the contact classification there is no difference between military and civil customers. The only thing that counts is the importance of the customer to the business.



5 Case Customers

Due to the sectors and industries in which the case units operate, the extent of the introduction of case companies vary. Information seen as relevant to the analysis of the cases is included in the introduction.

5.1 Customers of the Avionics Division

Finnair

The case unit, **Avionics Department**, is a part of the Technical Division of Finnair Ltd, the Finnish airline company, founded in 1923, with a revenue of approximately US\$ 1.3 billion in 1997. The number of employees in the division is 1850. The Avionics Department is responsible for electronics used in the aeroplanes and is divided into an engineering unit and a repair unit. Additional departments of the technical division are the technical office (responsible for design and planning), the quality department (laws and regulations, quality guarantees) and the material department (buying unit).

About thirty mainly European companies, like a German charter operator with 17 MB 80 aeroplanes, are among the customers of the technical division. Ten of the customers are regular while the others are more irregular. The revenue of the division in 1996 was approximately US\$ 7 million.

Finnish Frontier Guard

At the time of the interview the case organisation consisted of five frontier guards, three coast guards and the staff officers. It falls within the authority of the Ministry of the Interior. The case unit, **Air Patrol Squadron (APS)**, is an independent administrative unit within the organisation with about 100 employees, and provides flight and rescue services to all eight guards. This is done by maintaining fully equipped helicopters and trained staff. The unit receives its financial resources from the state budget.

National Bureau of Investigation

The mission of the National Bureau of Investigation is to maintain and to control the legal social order in Finland. The focal points are preventing espionage, terrorism and domestic extremist communities. The number of employees in the unit (1997) is about 160, and the most important partner is the Police.

The areas that the case unit is responsible for are state visitors, counter espionage, and enterprises that are important to the national economy. The unit is therefore involved in developing technical instruments, ensuring the security of governmental and business offices and plants, and preventing eavesdropping and tapping.

5.2 Customers of the Installation Division

Metsä-Serla

Metsä-Serla Ltd is a Finnish group operating in the forest industry in Europe, a processor of wood in the paper and pulp industry, the chemical industry, the corrugated board and pasteboard industry, and in the chemical pulp industry. Their customers are located on all the continents. The corporate is a subsidiary of Metsäliitto syndicate (founded in 1934, revenue in 1997 US\$ 4.5 billion). Other members are the Metsäliitto co-operative (since 1947) and its subsidiaries: Metsä-Botnia Ltd, Finnforest Ltd and Metsä Timber Ltd.

The case units belonging to the group are **Tako Paper and Board Mill** in Tampere and **Kyro Paper and Board Mill** in Kyröskoski near Tampere. Tako Paper and Board Mill was built in 1865 on the bank of the Tammerkoski rapids. The company's products are pasteboards used in the packaging and in graphic industries. Almost 95% of their production is exported, to over 50 countries. Kyro Paper and Board Mill was founded in 1870 as a private company, and it became a part of Metsä-Serla Ltd in 1995. After some rearrangements in production, the company today produces bend board for perfume packages and such, as well as background paper for wallpaper industries all over the world.

Neste

Neste is an oil, energy, and chemicals company whose chief operating area is the Baltic Rim. With operations in over 30 countries around the world, its customers range from multinational oil companies and industrial enterprises to private consumers. The company is divided into four main divisions: oil, exploration and production, chemicals⁵⁰, and energy. The 1997 revenue of the group was approximately US\$ 8 billion.

The oil division is an integrated chain of Neste's downstream oil business, encompassing crude oil and feed stock supply, refining, marketing of petroleum products, international sales of crude oil and petroleum products, as well as logistics. Neste is Finland's market leader in the retail and direct sales of petroleum products and has an important share of the market in the other Baltic Rim countries as well. Neste also exports its products beyond the Baltic Sea Region.

Neste's upstream oil production is dominated by Norway and the Middle East, and the field studies on a proven oil deposit in Russia are underway. Neste produces oil and gas in two fields in Norway and is engaged in production in several deposits in Oman. In addition to production, Neste is involved in oil exploration in these areas.

The energy division encompasses Neste's natural gas, liquefied petroleum gas (LPG), and energy supply business. The division aims to expand Neste's business in the energy market.

The chemical division is specialised in adhesive resins, industrial coatings and oxo products used as coating intermediates. Neste also produces polystyrene and insulation materials. The division has some 40 production plants in eleven countries throughout Europe, North America, and Asia. Neste Chemicals' global network of sales offices covers its most important market areas.

The Corporate Technology unit is responsible for developing and supervising group-wide long-term research activities, providing a broad range of research and development related to services in Neste's R&D organisations. Furthermore, the unit monitors technological developments in the field and prepares technology development initiatives for Neste's management.

The case unit under focus, **Neste Engineering**, is Neste's in-house engineering resource. It is primarily responsible for design engineering and carrying through investments that ensure the corporation's technological competitiveness. In addition, the unit develops, applies and commercialises technologies developed in co-operation with production plants and research units. There are ongoing investments and projects to improve productivity in different plants.

The turnover of the unit in 1996 was US\$ 24.5 million. The number of employees in the unit is 352 (August 1997); in addition to this, the company hires outside consultants and assembly labour on the projects.

⁵⁰The operations were sold in November 1999

5.3 Customers of the Service (Petrol) Station Systems Division

Oy Esso Ab

A subsidiary of Exxon Corporation, Oy Esso Ab (1997 revenue approx. US\$ 465 million), operates in the importing and marketing of oil products. The origin of this business in Finland goes back to 1920 when the predecessor of Oy Esso Ab was founded by two companies, the Finnish Nobelin Öljytuonti Osakeyhtiö (Nobel's Oil Import Ltd) and Standard Oil Company from USA. The company produces petrol, diesel oil, domestic heating oil and industrial fuel oil, flight petrol, lubricants, bitumen and liquefied petroleum gas (LBG).

In 1996, the company's market share in Finland was 12.9%. There were 276 service station outlets, making up 15.5% of the total number of outlets within the industry. These D-points service heavy traffic tanking up on diesel oil. In addition, by the end of 1996, 230 service stations provided customers with filling automates operated with cards. Seven service stations serve water traffic.

At the end of 1996, Oy Esso Ab employed 286 persons. Furthermore, the company co-operates with more than 300 independent service station entrepreneurs, traffic contractors and fuel dealers. In total, the number of employees is almost 4000.

In their principles of business habit, Esso states that conflicts between personal and company benefit should be avoided in all functions, both with current and potential suppliers, customers and other organisations. Furthermore, all employees are expected to commit to business morale. Concerning laws on restraint of trade, US laws are followed in addition, when they are not in conflict with Finnish law.

Oy Teboil Ab

The case unit is a Finnish oil company mainly owned by the Russian oil company Nafta Moskva Ltd, the successor of the state export trade co-operative Sojuznefteexport. Founded in 1934, Teboil is a marketing organisation with four sales districts and a nation-wide network of service stations owned by independent entrepreneurs. The product family of Teboil consists of petroleum and other fuels, liquefied petroleum gas and lubricants. The revenue of the company in 1997 was approximately US\$ 747 million.

Teboil has a centralised administration with Suomen Petrooli Oy (Finnish Petroleum Ltd) whose main activities are the purchase, import, and storage of oil products. The origins of the products are Russia and other CIS (Commonwealth of Independent States) countries, as well as Scandinavian, West European and domestic oil refineries. In Hamina (in the south cost of Finland) the company has a plant producing lubricants and a laboratory for R&D and quality control.

Teboil's market share has been almost 25% since the 1970s. In 1996, with a revenue of approximately US\$ 713 million, it was 22.8%. The service network in 1996 consisted of 304 units: 205 service stations, 28 delivery stations, 63 automated stations and eight units for water traffic. The number of employees in Teboil was 495.

Suomalainen Energiaosuuskunta (SEO) (Finnish Energy Co-operative)

SEO is a 20 year-old wholesaler founded by independent service station entrepreneurs. There are 120 members and 160 service stations, a hundred of which are staffed by people, while the rest are automated.

The SEO's role is to buy oil from Neste, organise transportation and invoicing, take care of marketing (i.e., decisions on establishing new service stations, assortment and selection, advertising campaigns and sales promotion), and to create and maintain relationships with suppliers and the public sector. Furthermore, the company is responsible for dealer training. There are eight employees in the organisation.

As a co-operative, SEO does not maximise profit but seeks to act as a profit centre for members. SEO does not deliver any fuel directly to end users but rather to service stations that serve both private households, agricultural producers and consumers.

When accepting a new member into the co-operative, a three-year contract is made with the dealer. After that, the contract is valid for a year at a time, if not cancelled three months before. Security is demanded from the entrepreneur, with SEO providing the symbols of the co-operative. All fixed assets belong to the entrepreneur. In the case of purchase, SEO may help in financing by giving security for a loan or by buying the equipment that will be sold or leased to the station owner later.

The members of the co-operative commit to buy all their fuel through SEO, but there are no other commitments concerning the assortment and selection in the service stations. As to choosing the service station automation systems, each entrepreneur makes her/his own decisions and buys directly from the suppliers, in which case SEO only acts as a referee.

5.4 Customers of the Special Systems Division

Police School

Operating under the Ministry of the Interior, the Police School is a nation-wide institute responsible for the basic education of policemen and most of the education for the warrant officer's degree. Further education in the field are given in this school. There are about 70 employees, 55 of whom are regular, plus part-

time teachers and visiting lecturers. There are about 600 students at any time and the number of training days yearly is 100,000.

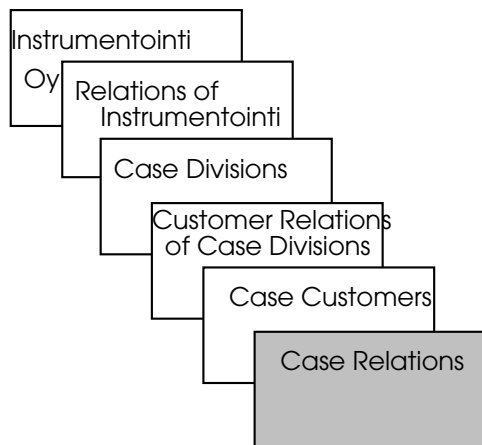
Merita Pankki Data (Merita Bank Data)⁵¹

The organisation under study is a part of the largest bank in Finland. The case study department, ADP (automated data processing) security department, consists of 11 employees: department manager, secretary, planning engineers, system programmer, project manager and three contact persons servicing the employees of the bank (the internal customers). It is the responsibility of the department to maintain and develop the security of data communications in the whole organisation. The other departments with which the case study department interacts on acquiring issues are the technical department responsible for purchasing software, the equipment department who oversee the purchase of small instruments and equipment, and the ADP Centre responsible for the acquiring of large devices.

Osuuspankkitarkastus (OKOBANK)

The mission of the inspection unit is to manage, develop, control and co-ordinate the security function, in order to control the risks connected with staff, customers, bank services, offices and data processing. The bank security unit is divided into three sections: service security, information security and office security. The case section of this study, **information security**, is responsible for the policies and principles of information security. The actions handled by the unit include the assessment of risks and their effect on the business, the monitoring of legal regulations and standards of information security, the monitoring of domestic and international development in the branch, the formulation and co-ordination of rules, and the co-ordination of training in the area.

⁵¹Since the interview, Merita Bank has joined forces with the Swedish Nordbanken. The new organisation is called MeritaNordbanken.



6 Case Relations

6.1 Relations Between Avionics Division and Its Customers: Finnair (A1), Air Patrol Squadron (APS) (A2) and National Bureau of Investigation (NBI) (A3)

Relation between Avionics Division and Finnair (A1)

The customer in this relationship has a repair workshop of their own, however, part of the services are bought from subcontractors. Approximately 20 to 30% of the customer's avionics repair is subcontracted. In Europe, the seller company has 4 to 5 competitors in the field.

In this relationship, the **service** offered to the buyer is the repairing of different avionics instruments and equipment like gyroscopes, clock devices and artificial horizons. The relationship has existed since 1974. On the seller side are, the people involved in interactions are the division director, the technical director, the maintenance manager, the maintenance supervisor and the sales manager. On the buyer side, the department manager, the maintenance manager, engineering supervisor, designer of work efficiency and practical operator in maintenance all take part in the relationship.

The **people** responsible for the relationship have worked as counterparts since 1987. The counterparts before that were the current technical director of the seller company and a former teacher of the seller's division manager, with whom he also worked as a counterpart from 1985 to 1987. The change of the seller's key person did not affect the ways of interacting due to the fact that the personal networks of the former and current key people are similar, to a large extent. Had it not been like this, the job might have remained as it was but the network of

personal relations would have changed. In general, there have only been a few changes in the personnel on both sides. Some younger people have come in; for instance, the maintenance manager on the seller side has only been in the company since 1990.

Officially, the case study **relationship** is a subcontractor relation based on a written general agreement that has been adjusted once in the 20 years it has been valid. The current contract was made in 1988. In the contract, warranties and terms of delivery have been agreed upon. Prices for work and material invoicing are negotiated yearly.

To maintain the relationship, the customer's workload was divided evenly to ensure the workload in the seller company, especially during the recession in the beginning of the 1990s. During recent years co-operation has widened; there are certain devices that are always repaired by the Avionics Division and the buyer may not even have the equipment or the competence for that kind of repair.

Basically, the relationship has stayed unchanged although the timetables have become tighter. Before, more time was spent visiting each other. The buyer, looking backwards, sees changes – the relationship has widened and deepened, due to the credit the seller has gained through qualitative functioning and trustworthiness. Furthermore, the buyer has concentrated supplies to increase productivity, and this has also affected the relations.

The seller's first **reason to co-operate** with the customer is the customer itself – it is the largest Finnish general aviation company. As such, it is an excellent reference for any job for the seller company, both as an operator and as a technical maintenance company. The fact that the seller is able to work with this customer means both quality and price references because the client would not use them if their price level was too high. Additionally, technical help and knowledge gained through the customer is important to the seller. The buyer is also a gate to heavy civil aviation for the seller. If this relationship did not exist, the supplier would be totally bound to the Finnish Air Forces and its culture, with 85% of the capacity sold to them. The relationship with the focal customer is therefore a balancing factor for the division.

The reasons for the buyer to co-operate with the seller are the spatial closeness, their competence and speed, and their price levels. Trustworthiness and quality are crucial in the branch. It has happened that, because of a device that was badly repaired by one of the seller's competitors, an aeroplane in Tel Aviv with 300 passengers had to wait for a replacement for an hour. The price of the equipment was about US\$ 17,500 but the delay cost at least as much. Because of the cost of losses, everything must be of high quality.

The parties in the relationship are dependent on each other. The seller party sees the other in the role of big brother. According to them, the main dependence is on information. With only about two days worth of work per year, the buyer provides the seller with general knowledge of aviation infrastructure and culture. The supplier can compare this with the aviation culture of the Air Forces. Another source of dependence in this relation is the co-operation on the technical level. The quality demanded by the buyer helps the seller to improve itself and

the buyer's dependence on the seller is based on the seller's state of functional readiness. In the case of a relational break-up, the buyer would for some time have serious trouble in providing solid vice devices.

Perhaps the most important dependence of the supplier party on the buyer can be seen through the utilisation of the manuals provided by the buyer. As a service unit, Avionics Division does not own any planes itself. Thus, to be able to act, they need the manuals and revisions to be provided by some firm. Should this relationship end, their access to the manuals would end, as the updated manual is valid for only a year.

The seller has been making adaptations in work routines to fulfil the expectations of the buyer. In the branch, a critically important factor is flexibility. It has happened that in a crisis situation, a device was sent in the evening by taxi to the seller who repaired it while the taxi waited and then sent it back in the morning. This kind of company culture is appreciated by the buyer, not the culture of merely collecting money and sticking to the written contract.

The first **goal of the co-operation** as expressed by the buyer is that of ensuring the customer's own action. Their goal is quality, meaning the fact that the aeroplanes fly. Starting from that point, the workload bought from the service provider is expected to fulfil the requirements. An additional goal for the customer, concerning the relationship, is the wish for a Finnish company to take over the tasks of the customer's daughter company, working on small planes with one motor, because those customers are too small for the buyer company.

For the seller, an additional goal is the advantage of customer potency. The seller does not trade with the competitors of the buyer but rather trades with the customer's co-operators, through the customer. This relationship allows the seller access to meetings between flight companies where it has an opportunity to market itself.

Interaction occurs at two levels in the relationship. The work flows constantly between companies at the operative level while interaction at the marketing level is more sequential. Approximately every two months, the people that are responsible for the relationship contact each other and exchange information on ways of operating, licenses, competencies, etc. Furthermore, issues concerning flying security and governmental regulations are discussed. Physically, information is exchanged in quality handbooks and in discussions, either on the phone or face-to-face. Normally, working information is exchanged by fax and on the phone while commercial information is exchanged on the phone or by electronic mail. Approximately every two months somebody from the seller's operating group visits the customer.

Concerning the working operations, contact is made by the buyer representatives to ask about delivery times, flaws in the device, etc. Furthermore, in the case of reclamation of both work and invoicing the buyer is the initialiser. The seller may contact the customer to inform them about the work situation or deflection noticed, for example.

In the relations between the representatives of the buyer and the seller, social issues play a substantial role. The interviewees have also acted together to create

avionics education in Helsinki University of Technology. The technical director of the seller company also visits the interviewee's superior, basically due to their personal friendship. Both the technical director and the division director have plenty of personal relations with the representatives of the buyer: old work-mates, student friends and old teachers. Also, at the operational level, some of the individuals have previously worked for the buyer organisation and thus have old work-mates from there. This makes the interaction between parties easy.

The major problem for the seller in the relationship is uncertainty. Future sales and work flow can not be forecast, partly due to the fact that the breakage of devices is not foreseen. Uncertainty is also created by the economic perspective of the buyer. Lately they have had to focus on short-term economic issues. One way of diminishing the uncertainty is the widening of the co-operation that will materialise through the new quality system.

For the **future of the relationship**, licenses are a prerequisite. The functional and technical quality of the service must be maintained and flexibility has to be sustained, as well as delivery times. The price must stay competitive, although it is open to negotiation and is discussed yearly.

The buyer sees the general trends in the company's aviation business and the small plane business as potentials for change in the case study relationship. A major influence perceived by both parties is the seller's relationship with the Finnish Air Forces. On one hand, testing equipment used in repair is partly owned by the Finnish Defence Forces, while on the other hand the buyer is afraid that, if the seller has to make more inputs in the military relationship, the buyer cannot be served as well as it is being served now.

Relation between Avionics Division and Air Patrol Squadron (APS) (A2)

The commodity exchanged is **the repair and maintenance service** of different radio devices located in the helicopters of the buyer party. In addition to the repair or maintenance job itself, due to the heavy regulation every device must be accompanied by documentation. With each repair or maintenance check, a certificate must be delivered with the device to the buyer, whose representatives control the quality of the seller's work.

The **relationship** between the parties has existed for 20 years. The interviewee on the buyer side has personally been involved since 1990. The number of interactive individuals exceeds five because of those at the operative level⁵². On the seller's side, the division director and the maintenance manager are the active parties in the relation and on the other side the chief officer, the maintenance staff and aeronautics have contact with the seller.

In the relationship, there is no written contract as long as the authorities do not demand it. The buyer party does not perceive any change in the relations. In their

⁵² Daily operational actions and the number of interactive person at that level were not very familiar to the buyer respondent.

opinion they have received qualified work and service, even without any formal contracts. The seller would, however, feel more secure if there was a contract. Prices of individual purchases are agreed at the operational level.

The branch is tightly controlled by the authorities. The seller's licenses must be valid and in order, and only tasks authorised by the licenses may be conducted. The economic restraints on the buyer side are expressed in the yearly budget.

The boundaries of the relational development lie in the chicken-and-egg phenomenon. Due to the low number of helicopters and their radio devices, the seller is not interested in improving the state of repair readiness and, accordingly, the buyer is not able to utilise the seller's services more than they do now.

Interaction in the relationship takes place at two levels. At the operative level there is interaction in accordance with the work flow. At the decision-making level, the division director and the chief officer keep in contact quite seldom, mainly when a problem arises which cannot be solved at the operative level. Both parties admit that mutual intercommunication could be improved. Usually, when the buyer party buys new helicopters they ask the seller about the possibilities of repairing or maintaining certain devices.

For the **future** of this relationship, decisions made by the Finnish Parliament about the purchase of helicopters for the Defence Forces will play a substantial role. Should the Defence Forces acquire the helicopters, the potential for the seller would increase and in the co-operation among the seller, the buyer and the third party, the Defence Forces, the relationship could be developed.

Relation between Avionics Division and National Bureau of Investigation (NBI) (A3)

The **products** in focus are different ready devices and equipment for the customer's purposes. Along the years purchases have occurred every now and then. In 1995 the content of the **relationship** changed from repeated transactions to ongoing interaction. Then the buyer found a device that had no importer in Finland and the buyer asked the seller to import it because he knew that other units of Police would also like to buy the device. The **reason** for that was the reputation of the seller. In a crisis situation, and being in practice a part of the Finnish Defence Forces, the company was perceived as trustworthy. Furthermore, import was part of the seller's line of business.

During the last two years, the relationship has become more intensive and there is a clear attempt on the buyer side to enhance the existing relationship. Today, the repair and maintenance of many customer's devices are typically done in England, sent and received through the seller. For the time being, the buyer is marketing the devices imported by the seller within the Police to ensure the profitability of the maintenance of these devices in Finland. The buyer has also tried to persuade one producer to switch from its current importer to the seller company.

The interacting **people** in the relationship are from the buyer's instrument office and the seller's sales manager and software specialists. In small deals the decision-maker in the buyer party is the interviewee himself, responsible for the technical development of the buyer unit. In bigger projects the board of directors of the buyer is involved in the decision-making. In accepting the project, the buyer is also agreeing to the prices for the equipment.

Interaction between the respondents of the study is regular even though there might not be any knowledge of up-coming deals. The buyer gets its money from the national budget, awarded by the Parliament, and this sets limits on the economic exchange in the relationship. However, exchange of information takes place all the time. The sales manager constantly scans the global markets, informing the buyer about new equipment, devices and other improvements in the area. He may send a copy of an article that might interest the buyer, for example.

The personal relationship between the interviewees has deepened during the past three years into a personal friendship. Operational instruction for the equipment was given in England where the interviewees went together. Getting to know one another makes interaction and information-exchange easier. Information is exchanged on the phone or by electronic mail and is initiated by both parties.

The buyer is satisfied with the seller due to the functional quality – information on the state of existence, even in the case of dysfunction. Because of the branch the buyer is in, a low profile on the part of the seller company suits the buyer well.

For the **future** of this relationship, the seller's trustworthiness is the key issue; the buyer does not want to be a reference for the seller. Furthermore, it wants to be sure that information gained in this relationship does not leak. Thus, other relations of the seller have a critical effect on the future of the focal relationship. Continuous contact, despite the budget situation, and the seller's knowledge of the buyer's needs have a positive effect on the enhancement of the relationship.

6.2 Relations Between Installation Division and Its Customers:

Kyro (B1), Tako (B2) and Neste (B3)

On the seller side, the same project managers usually act with certain customers. If that person is occupied with other projects when his regular customer contacts the seller division, however, a change of contact person is made. In this industry it is typical that the seller's project managers have had contacts with different companies that today belong to the same pool.

Metsä-Serla group provides an example of current customer relationships in the industry. Case relationships B1 and B2 are individual relationships between the seller division and the buyer companies. However, the seller also has relationships with three other independent companies within the same group.

Relations between Installation Division and Metsä-Serla Kyro Paper and Board Mill (Kyro) (B1)

In the case relationship, the **commodity** exchanged is the installation of process instruments, assembly services and material. The exchange materialises as projects, worth between US\$ 70,000 and 105,000, and in minor installation services as well as some selling of materials to the customer.

The number of **people** in the relationship varies according to the work situation. The respondents – the project manager as the seller and the planning engineer as the buyer – have been interacting for ten years. Others interacting in the relationship are the purchase function and area supervisors from the buyer party and occasionally the division manager from the seller company. Also, workers come into contact with representatives during the projects.

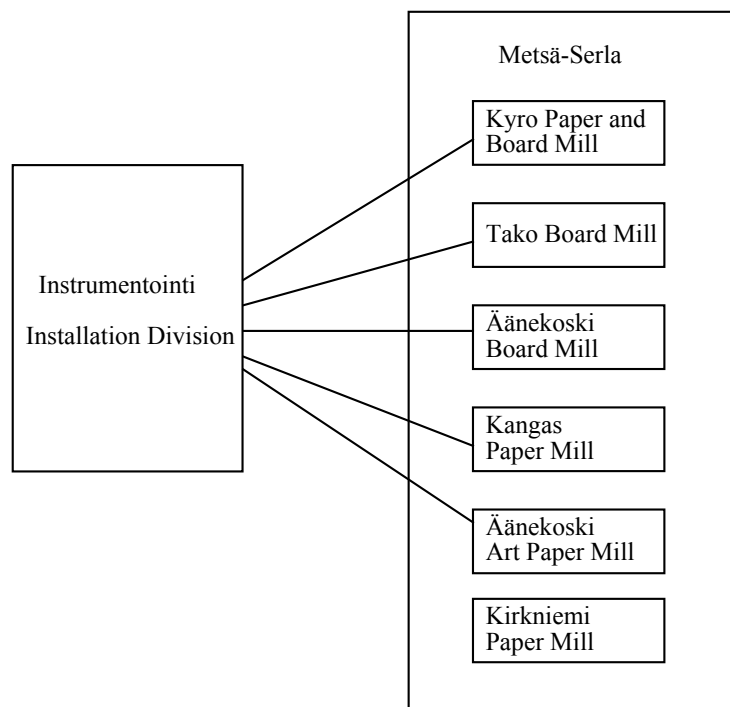


Figure 6: Relations between the Installation Division and Metsä-Serla Pool.

The **relationship** between the two companies started in 1964. Earlier, the number of installation employees in the buyer company was higher and subcontractors were used only in large projects. Due to the bank's call for decreasing the staff, small projects also look to outside labour. According to the seller, their staff has been working on the buyers' premises on and off for about seven of the past nine years.

The relationship is perceived as a subcontractor relationship on the buyer's side while the seller sees it as a co-operative relationship. There is no core competence crucial to the relationship, because both parties have years of

experience in the implementation and maintenance of instruments. However, the seller may have labour with more experience in installation than the other party. Accordingly, the work situation of the buyer party is the main **reason** for the trade.

Over the years, the buyer party has also had other contractors besides the seller, but for the time being the seller is a purveyor to the buyer because the mutual rules of the game are clear and the buyer does not experience any risk in acting with the seller. The seller's installation labour work on the buyer's site; they know the place and therefore do their job efficiently. Furthermore, the parties have negotiated the unit prices, which makes settling the projects easier.

The companies have no maintenance contract; every project is contracted individually. Despite the lack of formal contracts, the seller has a solid base on the buyer's premises where tools and other equipment needed in establishing a site for a project are stored. In this way, both time and monetary costs are reduced in the event of a new project.

Communication between the parties depends on the need – it may be once a month or once every six months. The seller's project manager communicates with a buyer of the other party at least once a month. In this case, due to decision-making power being at quite a low level, the number of buyers exceeds ten. In most cases the initiator of the communication is the buyer, though sometimes the supplier may make an offer. In social communication the initiative is in the seller's hands; the seller organises a social happening for the customer's employees once a year.

Information is mutually exchanged on all kinds of technical issues: materials, documentation (installation drawings), user experiences and future plans of both parties. Additionally, to get the deal the buyer may ask the seller to fix the price of an offer. Information is mainly exchanged via telephone while mail is used to send drawings and offerings.

According to the seller's project manager, trading is based on personal relations. In the beginning of trade, the image of the company plays a substantial role as a guarantor of power and money. After two or three projects, the relations become more personal; a certain status is created that affects the manner of trading and the access to information.

Both interviewees perceived the high level of service and the moderate level of price as the main factors for **future** interaction. The seller also cites the importance of being on top of developments. The buyer forecasts changes in bargaining due to the change in the ownership of the buyer company. For the moment negotiations are handled locally, but in the future, large projects in particular may be negotiated at the corporate level, which may also affect the equipment and installation services. The customer respondent assumes that decision-making power will move to the upper level of the organisation, due to changes in the financing structure.

Relations between Installation Division and Metsä-Serla Tako Paper and Board Mill (Tako) (B2)

Automation installations, together with testing and tuning, are the focus of this relationship. Of the **people** involved in the relationship, the buyer respondent has personally been interacting with the seller company as a project manager for approximately 20 years, while the seller respondent has only had one project with the buyer, starting with the offer in autumn 1995. However, the seller respondent has been working with the other unit of Metsä-Serla, Äänekoski, since 1985 and he has represented the seller company since 1989. Other persons involved are the seller's division director, the people working on the buyer's premises, as well as design engineers and supervisors of the buyer party. Furthermore, the factory manager and the technical manager of the buyer visit the seller company every now and then. The seller's managing director, their division director and the seller's project manager participate in meetings where the deals are closed. From the customer's side, the participants in the meetings are usually the project manager, the technical director and the buying manager.

The buyer party defines the **relationship** as a co-operative one while the seller party sees it as a subcontractor relationship. The bases of the relationship have remained unchanged, although some changes have occurred in delivery due to changes in technology.

The customer's **reasons** for operating with the seller are the size, (i.e. the resources and the capability to serve), the spatial closeness and the long-term co-operation. The seller's representative sees the quality of work and characteristics like honesty and fairness to be the main reasons for their success in the relationship.

The customer's representative does not consider his company to be dependent on the seller party; they do not have any mutual contracts concerning continuous maintenance. On the seller's side, the selling company sees the buyer party as one of the pillars of their business and thus sees itself as being dependent on the customer.

The interviewees' opinions about the common **aim of the parties in the relationship** differ to some extent. The seller sees economic issues of both parties – a win-win situation – as a common aim at the general level, with goals concerning the project being settled together. The buyer mentions spatial closeness as a common goal. This has two aspects: the mental effect ("*we are from the same district, Pirkanmaa*") and the economic aspect, saving on labour costs during the project.

The buyer finds that business cultures have an impact on their relationship with the seller. According to him, the seller's competitor operates in a more centralised fashion from a distance. They offer maintenance service in Tampere, but projects are handled elsewhere. Thus, the contact is different from that with the seller.

The buyer party does not make any adaptations in the relationship. Due to the need for ongoing production, the installation of equipment and devices must

match the planned time schedule. Thus, the installation is bought from the optimal supplier in the situation. The buying party's employees have to adapt themselves to the time boundaries dictated by the production needs. Perhaps due to the nature of projects, it has never occurred to the seller that they would specially adapt their operations to those of the buyer.

The **content** of a relationship is mainly bound to the projects. On the buyer side, resources needed for a project are either bought from one main contractor who hires the subcontractors, or directly from different sources. In cases where the main contractor does not produce the equipment or devices needed, or the buyer wants a competitive product for its system, direct buying is used. The main contractor would not deliver competitive products, making it difficult to build a working whole.

In the buying process, the buyer's automation department typically sends invitations for tenders to three potential suppliers and informs the buying unit of the company. The role of the buying unit in bargaining is to define the commercial terms, terms of payment, etc., and to make the final order. In closing a deal, every buyer company has a basic project contract model that is tailored for each individual project and signed by the parties.

After receiving the bids, a summary is made and the buying unit is contacted to join the process of deciding which companies are asked to participate in further negotiations; there are two or three and the case seller company is typically one of them. However, due to the seller's limited resources, both human and material, in a given period of time competitors of the seller company are also used in projects.

The process for completing a deal varies with the size of the project. In a large project, like installing a new paper machine, it takes several weeks to accomplish the purchasing process while the realisation of the project itself takes about half a year. The purchasing process for a minor project, during a Christmas break in the factory for example, ends about three weeks before the planned start of the project.

In the latest large project, the modernising of a board machine, in which the seller also participated, the main contractor delivered the quality system and mechanical assemblies. Some equipment was also acquired from a German manufacturer – even though the main contractor produces competitive equipment – and was installed by the main contractor. In the last phase, the installing of cabling, equipment of different manufacturer origins must be coupled, tuned and tested. The work for this phase was bought from the case seller company. Altogether, tens of contractors were engaged in the project.

All the equipment that is part of the delivery is usually tested on the manufacturer's premises, under the supervision of the buyer's representative, before shipping them to the buyer's premises. There, a mechanical installation followed by an automation installation joins the part to the existing operational system.

In a project, keeping to the time schedule is a core issue. During a longer project (e.g. half a year), the parties may arrange a meeting to oversee the timetable or a visit to the supplier once a month. If the supplier is a subcontractor,

representatives of both the main contractor and the end user are present. In other cases, it may be just the supplier and the customer, sometimes with a consultant who represents a design engineering bureau. Design engineering is a preceding phase of a project. In projects from US\$ 17.5 million and upwards, the design engineering process may take a year or two before any invitations for tender are sent out. In the case study company, design consultants from outside the company are utilised, due to the small size of their own design engineering unit.

Official **contact** between the parties is made when bidding and during the project. Contact between the interviewees takes place weekly; at the operating level contact is even more intensive. Initial contact concerning the upcoming project lies in the hands of the buyer party. Before issuing the official written invitations for tender, phone calls are made to gauge the interest and capabilities of potential suppliers to fulfil the requirements of the customer.

However, there may be decades in between investment projects; during that time, then, contact is kept through automation fairs. The seller respondent sees those fairs more as a social event than a professionally fruitful event. Additionally, contact in between projects is kept via phone calls and occasional face-to-face social meetings initiated by the seller party. Contact is made at least once or twice a year to remind the buyer of the seller's existence.

Information exchanged between the parties mainly concerns labour resources, materials, price and other conditions for the projects. In addition, information related to new possibilities offered by the supplier as well as future plans of the customer may be exchanged.

The exchange of informal information depends totally on the extent to which an individual is known. The buyer's perception of the role of acquaintanceship between the parties' personnel affects the actual working relationship during the project while deals are based on 'hard facts', i.e. resources and the economic situation.

Information is exchanged using the postal system, electronic mail, phone, fax, and face-to-face meetings. Today, design drawings are also transformed electronically; drawings are supplied on hard disks and can be kept in the archives. Paper drawings are produced when necessary.

In addition to information received directly from the other party, the buyer's representatives travel around the Finnish and foreign premises, gathering word-of-mouth information about the seller and its competitors, for example on how well they have succeeded in their projects.

According to the respondents, personal relations emerge in various ways. Between some, attraction is mutual from the very beginning, while between others one instinctively knows that there will never be such a relation. However, long-term business interactions will create some degree of trust based on the knowledge of the other, his/her way of behaving, etc. The deeper the personal relations, the easier the interaction. In a good relationship, the time used to discuss work-related issues withers, and contact may be made without time limits, so that things may run more smoothly and resiliently.

In the **future**, mergers and company trades may alter actions, but no major structural changes are expected because automation in Finland is a small circle where everybody knows everybody else in the field. If the relationship is to be continued, the seller must stay competitive and the deliveries must remain of high quality. From the seller's point of view, the customers' needs come first and this is something the supplier cannot affect. After this first phase, the competitiveness of the seller becomes primary; this is created by good relations, qualified work, references, etc.

Relations between Installation Division and Neste Engineering (Neste) (B3)

The buyer company is served with both **design engineering and installation** by the seller company, although seldom in the same project. The contracts vary from holistic installation projects to small automation and electric installations. Tasks may take a day (rare), to a week or two, a month, or even half a year. The labour force also varies: in September 1997 there were over 100 workers on one of the customer's premises while in the autumn of 1996 there were ten on one premises and five on the other.

The **person** responsible for the relationship on the seller side has worked before on the customer's premises and is thus acquainted with the area. Joining in the interactions on the seller's side are the division manager, workers and supervisors, plus the division and project managers in the design engineering division. On the buyer's side, project managers and project supervisors are the active parties in the relationship. In course of the growth of both companies, the level of the negotiating parties in the relationship has changed from managing directors to project managers. In the focal relationship there is also interaction between the labour working on projects and the customer.

The **relationship** between the customer and the supplier has existed for over 30 years, while design engineering services have been purchased from the supplier company for some 15 years. The customer is an intermediary whose final customer is the oil refinery, but the refineries sometimes buy projects directly from the suppliers to save costs. Thus, in some cases the parties in this relationship compete with each other over a contract.

The respondents consider the relationship as a co-operative one. The buyer company makes the potential suppliers compete with one another yearly over the installation and design engineering contracts, in addition to separate projects. In 1997 the installation contract was made with a competitor of the seller while the design contract was made with the engineering division of the seller company. Co-operation exists in mutual planning and considering better ways to act, despite the state of official contracts.

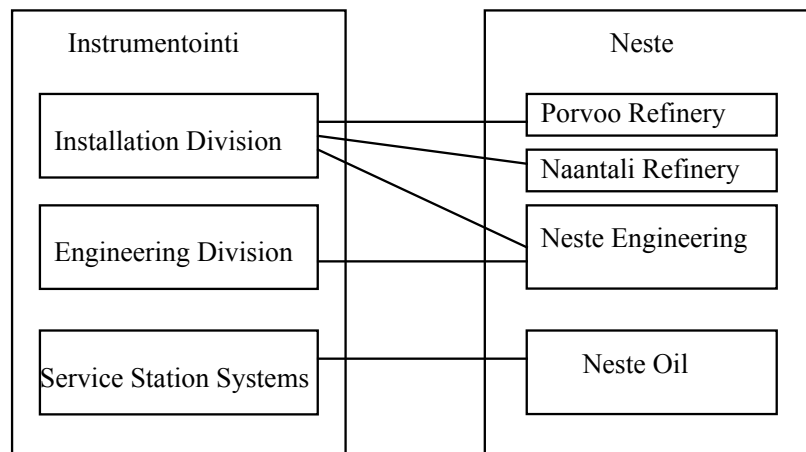


Figure 7: The individual relations among the units of the supplier and Neste Group.

The relationship between the parties has grown stronger thanks to the trustworthiness, economic background and personal relations at all levels, from the owners of the seller company to the workers. Furthermore, the relationship between Neste Oil and the Service (Petrol) Station Systems Division of the seller company has strengthened ties between the two companies. According to the seller's representative, the relationship has become more demanding due to competition and the lack of extra money. Less social events and more and harder work in projects have resulted.

The buyer party cites the seller's size (largest in their field in Finland) and knowledge about the buyer as **reasons** for trading with the seller. The seller has a basic state of readiness due to fact that they have had work quarters on the buyer's premises for over ten years, even though a few years ago there was a two-year period during which the seller lost every bid for projects. Another strength mentioned is the degree of supervision during the projects. On the seller's side the reason for interacting is the potential for work; Neste group is one of the biggest customers of the division.

The buyer considers itself dependent on the seller's skills and competence to some extent. For the seller, the buyer is one of its biggest customers. However, during the years in which the parties did not trade with each other, the seller was fully occupied by other customers and thus does not consider itself dependent on the other party.

The reputation of the supplier is critical for the customer, who cannot afford to work with partners with a bad reputation. Therefore, the customer has its reserves, a register in which suppliers are classified. However, especially in design engineering, the company's reputation is not the only factor that counts; often the result of the work rests on individuals. The importance of the other party's reputation is mainly seen as a reference for new customers on the seller's side.

For the buyer, the company's culture plays a role in how the supplier takes care of its responsibilities regarding labour. The customer gets information about whether the wages have been paid by the installers, for example. Due to the use of "grey labour", a common problem in the branch, the customer company insists that 60% of the labour working on a project are regular employees of the supplier company. Furthermore, taxes and other legal payments have to be taken care of.

Together with regulations concerning electric security, taxes and social payments are the concern of all customers in the branch, and relations to the labour union via appointed representatives are crucial. In the projects that are not completed or that change a lot, personal relations play a crucial role. The most important issue is the maintenance of relations, mainly with the project manager and project supervisors who are the operational leaders during the project.

For the seller, every customer has a different culture. Even within one company, Neste, the ways of acting (e.g. ordering, paperwork and billing) differ from department to department. In the customer corporation, commercial negotiations are handled by a separate organisation which ensures the similarity of negotiations. Depending on the unit ordering the work (refinery or the case study unit), there is a difference in the project supervision; if the customer is a refinery, the lack of project management creates stress on the supplier side.

Mutual **goals** are settled on for the project, not for the whole relationship. During the project, daily contact is common; otherwise the project manager of the buyer calls at least once a week. Parties have preliminary project time schedules that are focused on the next period in the meetings. In these meetings, held every two weeks, evaluation of the progress of the project is made.

In every project, a working diary is kept. On the basis of this diary, deviations from the contract are controlled and the settlement is negotiated at the end of a project. Evaluation during the project takes place in the field meetings every two weeks during which the current situation is written down, focused plans for the next two weeks are made, issues needing discussion are negotiated, etc. Combined with the meeting, social relations are maintained by offering lunch to the customer's representatives. Other important people with whom relations are maintained are the consultant supervisors used in the projects.

The time span in planning **interactions** between parties is long, while, in practice, trends in the economic situation are short. Decisions concerning investments are made in the beginning of the year. However, for preliminary estimates of resource needs, the parties discuss future trends and decisions, project plans, etc. already beforehand. The bargaining of individual projects happens one at a time.

The information exchanged concerns work-related issues and especially the seller company's issues. Being a public company, the buyer does not easily give official information. However, because of the good personal relations, unofficial information can be exchanged. For the physical exchange of information the parties use regular mail, telephone, and sometimes electronic mail. Face-to-face meetings are held about once a week when the seller's project manager visits the buyer's premises. People from the buyer party visit the seller's premises a few

times a year, meeting the heads of the company, giving official briefings and socialising with the seller's representatives. The customer participants in these visits are project managers, current project supervisors and the people with whom business is done.

In the focal case, the interviewees socialise with each other at the family level. In spite of being good friends outside the workplace, in working situations they always represent the company that pays their salaries.

To ensure the **future** of the relationship, the resources and special skills of the seller company's workers have to remain at least at current levels. For the customer, security is primary because they are dealing with fuels. The seller sees keeping to delivery times as most important; in industrial firms, losses in production caused by the delays in projects are considerable, compared with the costs of the projects.

6.3 Relations Between Service (Petrol) Station Systems Division and Its Customers: Esso (C1), Teboil (C2) and SEO (C3)

Due to the organisational structure of the seller division, the responsibility for customer relations rests with many key people. To elaborate the relations, three representatives who take care of existing customer relations were interviewed simultaneously at the division's request.

The seller's customer relations people interviewed in this study were the sales manager who has had over ten years of experience in sales with this company and whose former employer is a big customer of the division, the product manager who has been in the company over seven years and who has had previous experience in product development (using the same technology), and the manager of maintenance who has spent over 16 years in the company, 12 of which were in customer service.

The Products

The division provides complete service (petrol) station systems tailored to meet specific customer needs. A complete turnkey system includes the necessary piping, tank installation and electrification. In addition, the company also supplies high quality components for existing service (petrol) station systems. Products of the automation department are payment terminals and controllers. In the division, the dispenser unit is responsible for different pumps and the technical service unit takes care of the maintenance and repair of equipment through their extensive service network and spare parts service.

On the customer side, the dispenser and payment terminal equipment at major oil companies' service stations are owned and maintained by the mother company even though the service station may otherwise be owned by a private

entrepreneur. All the equipment of the service station system delivered by different suppliers are connected to the mother company's information system. In addition, one company has on-line payment terminals connected to a network which relays the payments and card checkings directly to banks. On the other hand, the dispensers and equipment in service stations belonging to the SEO co-operative are acquired, owned and maintained by individual station entrepreneurs.

A typical project for the division is a change in the existing system. The introduction of a new credit card, new bank notes or coins require changes in equipment and/or software programs. In the process, mutual negotiations about technical realisation and commercial issues of the project are carried out, the deal is closed, and the development project is accomplished. After that, the programs are installed on the customer's system and tested together with the customer. Follow-up and maintenance are part of the project as well. In project offers, the evaluation of delivery times is crucial; should it fail, the seller loses – delays cannot be invoiced from the customer and financial sanctions must be paid. In normal cases, offers do not include heavy documentation but rather verbal expressions of customer needs lead to mutual definitions of products.

In product development, the activities vary from developing new characteristics for existing products to innovating and creating new models. Product development in the division is mainly based on customer feedback, needs and wants. The product platform, the basic technical solution of the equipment, is the same for all customers. The development design is done by the seller alone. At a certain point in the development process the idea and the equipment are presented to potential customers for their knowledge and consideration. The release is done before the company's full readiness for immediate deliveries. Because the equipment is investment commodities, their purchase must be accepted by the customer's decision makers and included in the customer's budget. Selling these kinds of products requires long-term planning from both parties of the relationship. A new product is usually piloted in practice by one or more customers and customers may buy equipment to test it before further investment decisions.

The role of aftermarketing is to install the equipment in the field, take care of guarantee maintenance, and then of maintenance according to maintenance contracts. In those contracts, monthly maintenance fees are solid. Usually, maintenance deals are negotiated by the maintenance unit apart from equipment deals. However, at least some maintenance price offers are given to potential customers in the bargaining of equipment. Maintenance prices are checked yearly.

Today, the need for card payment terminals is emerging. This will change the trade from selling and purchasing of ready products into co-operative product development projects between the supplier and the customer. The aim of the seller is, through product development and software activities, to sell dispensers and payment terminals that actually make the turnover of the division.

The Supplier's View

Internal interaction

In the division, the sales unit communicates separately with both the product development and the maintenance units. Sales and product development have a firm interaction concerning both software and equipment development. Maintenance and sales interact in aftermarketing issues. Feedback from maintenance to sales may show a sold product to be inapplicable in the customer's existing system, for example, requiring another investment of tens of thousands to make the system work. Another issue discussed may be the pricing of the installation; as given by the maintenance, the price may prove to be too low.

Development and maintenance have less communication with each other, and it usually concerns technical issues. An example of that is a repeated fault in the automates in the field: receiving all reports of defects, the maintenance unit contacts the product development unit to look for the fault in the software.

In large oil companies, the buyer unit making the purchase is separate from the field stations where the products are installed and used. Therefore, it is crucial that the salesmen responsible for sales are aware of what happens in the field in some customer cases. In the field, the buying customer should hear of the failures from the seller in aftermarketing rather than from the representatives of its own organisation.

In these cases, the speed of internal communication can make a difference. In some cases, maintenance does not inform sales because they do not regard some delay as a big problem whereas the customer might do so. These situations usually occur in normal maintenance practice, in daily interactions. The situation differs from customer complaints, for which the seller division has clear handling instructions.

In internal interactions, there is an ongoing conflict between the sales and the product development units. When trying to please customers, the sales unit tends to give promises, especially concerning delivery times, that cannot be kept by the product development and the production units due to the full capacity of the latter. The interviewees consider this to be fairly common in many homologous companies.

In the cases described above, the role of marketing and sales is to communicate the issues to customers as smoothly as possible in order to convince the other party of the seller's capability to handle situations.

In the seller division, no comprehensive quality system exists but descriptions of functions do. The quality system has been under work for many years. However, the importance of the system seems to be diminishing due to the qualified way of operating without the documented quality system. The interviewees admit that preliminary auditing of the system has revealed some quality gaps in the operations. For the customers, the promise of working towards quality improvement has been enough.

Customer relations

Concerning the characteristics of the business, the number of people interacting in supplier-customer relations is high. The service station managers and personnel interactions with aftermarketing differ from those of the buying personnel in the head offices or in the area offices. Accordingly, various relations exist between individuals, too. The seller's representatives have to get along with all kinds of people and have at least business-like relations. The relations between the interviewees and customer representatives vary from distant to close, for example where personal family matters are discussed or fishing trips are taken together.

Depending on the customer, the role of different persons in bargaining varies. In some firms, the operative level has lots of influence power in bargaining. On the seller side, due to the expertise power of product development and maintenance personnel, their representatives play a crucial role in bargaining.

In meetings with the customers, the participants vary according to the task. For instance, in the negotiations on software development and software changes in payment terminals or fuel dispensers both the sales manager and the product manager of the seller participate in the briefings. In the planning stage for a new card, for example, customers may already contact the seller company to discuss the realisation possibilities of the card's planned characteristics.

According to the seller representatives, organisational differences among customers materialise in their ways of acting. Some organisations are very bureaucratic: buyers are only interested in buying a product as cheaply as possible and they know exactly what they need and want. The future of the equipment in the organisation is not their concern, but somebody else's. It happens every now and then that the equipment does not fit the existing system as such and costly adaptations must be made to fit the new part to the old. In other organisations, a wider perspective is taken – they buy holistic systems. Differences also occur in the purchasing practices. Some customers want the offers to be delivered by an exact date to an exact place and they open all the offers at the same time. In other cases, interim discussions about price reduction are conducted. According to the seller party, in companies with quality systems the functions seem to be highly normative.

According to the seller, there are differences in communicating with the independent entrepreneurs belonging to SEO, with the Finnish energy co-operative and with large oil companies. The role of money is more critical in the relations with independent entrepreneurs. Because of the life cycle of the dispenser, additional equipment sales seldom exist. Through the producer's responsibility for the equipment, some continuity exists in the relations, however, even though there is no commercial interaction. About half of the entrepreneurs have a maintenance contract with the seller. The price is checked once a year for each subsequent period of twelve months and the contract can be terminated on three month's notice.

In the division, a customer survey concerning the seller's actions has been conducted once. Some results confirmed the seller's own understanding. On the basis of the survey results, some actions were renewed or at least an attempt was made in that direction. However, the interviewees consider the utilisation of the research to be vague.

In **human relations**, personal and role relations affect each other. A prerequisite for role relations to turn into personal relations is a successful mutual business. In human relations, according to the seller party, the personality of the buyer is decisive. There are people who go straight to the work issues and there are customers eager to discuss everything but work-related issues, which will then be taken care of in a "subordinate clause". For instance, communication with professional buyers does not reveal the background of a deal to the seller – how many competitive offers the customer has, what are the decision criteria, etc. Buyers' complaints about price, delivery time, quality, and such belong to the bargaining game in these relations.

According to the seller representatives, in a good relationship price issues and negative questions are easy to handle. One does not have to be careful to use the "right" expression to announce a failure, for instance.

Evaluation of customers includes different dimensions. Customer invoicing is followed up in the division but customer productivity is unknown to the unit. In addition to monetary outcomes, the time a sales manager spends on one customer is also monitored.

With respect to equipment, incomes and costs are easy to calculate. In projects, prior evaluation of time and materials is made by the seller while calculating the offers. Once a deal is closed, negotiations on extra costs are not conducted even though unexpected extra work may occur during the project. During the course of a project, the customer is informed if delays are expected. After the project is over, the seller side clarifies for themselves the reasons for extra works and delays.

The seller representatives assess the future of customer relations by asking about the plans of the other party. Actually, every meeting with the customer includes an evaluation of the future and discussion about the framework of the relationship. In most cases, the initiative comes from the seller but, if the buyer party has just had a budget discussion, for instance, discussion of future plans may be raised by the buyer. The information given by the customer may be very general (e.g. about the area to be developed or the stations to be renewed) even though the customer may have exact plans concerning the equipment.

In the Service (Petrol) Station Systems Division, some dissatisfaction on the customer side is created by the imperfect communication between sales, product development and maintenance. On the other hand, the same dissatisfaction is perceived by the seller. The attitude of the service station managers towards the information sent by the head office seem to be negative. The perspectives of the customer parties may be different. For instance: for economic reasons, the buyer in the head office acquires some cheap equipment but the station manager would prefer to have brand new equipment, creating a conflict between the units.

Station personnel of the company are never used as references by the seller in commercial connections with the customers' buyer representatives. Relations between parties seem to exist at two levels, sales and maintenance. In the relationships between the maintenance unit and the service stations there are common **goals** in that well functioning systems bring consumers' money to the station and reduce the seller's maintenance costs. It also means profits for the supplier due to the solid monthly maintenance fee.

Problems frequently negotiated in customer relationships involve, in the seller's view, timetables. Customers want them to be short. However, due to an unfinished building project, for instance, customers might not be able to receive equipment at the agreed time. On the other hand, delays in delivery times for some new addition to a dispenser or payments terminal may cause economic losses for the customer. For instance, agreements on television commercials for the new characteristics may have been made by the customer but, due to a delay on the seller side, the characteristic cannot be implemented, creating dissatisfaction in the buyer organisation.

From the seller company's perspective, a problem with large international companies is their commitment to the corporate system which causes them to be involved in international acquisitions. Thus, subsidiaries of oil companies can not easily change suppliers of equipment, for example.

The Customer Views

Esso (CI)

With over 20 years of history, the relationship has moved from a market relationship to a co-operative one. From the beginning of 1997, the seller company has taken care of the maintenance of all the buyer company's service station dispensers, in addition supplying fuel dispensers, measuring devices, payment terminals and control equipment. The installation and maintenance of dispensers is based on a binding contract between the parties made for four years; after two years, conditions are mutually re-evaluated and re-negotiated if necessary. Based on a general contract, service station automation trade is conducted deal by deal.

At the commercial level, key **people** in the relationship are the division manager and the manager of maintenance of the seller party, and the buyer and the manager of the maintenance department on the customer side. The buyer is responsible for the commercial negotiations of the traffic service department contracts, and the manager of maintenance is responsible for the building and maintenance of the service station network. At the operative level, the seller company's maintenance staff interacts with the petrol stations' personnel.

In the customer company, suppliers are divided into three categories: A, B and C. Based on the classification, resources are allocated to different relations. In category A, to which the case seller company also belongs, relations are nurtured,

face-to-face contacts are more frequent than in other categories, relationship development is followed, and measurements are taken. In this classification the 80/20 rule is valid and there are tens of category A suppliers.

The boundaries of trade in the case study relations are set by an international contract between the buyer company and the competitor of the seller concerning the acquisition of fuel dispensers. Although the equipment comes mainly from England, the seller company takes care of their installation. Concerning the payment terminals, the buyer company has no contract. For the time being, there are two suppliers in Finland. The buyer company would prefer a contract with the seller company, even an international contract, in order to utilise the synergy benefits that the seller company can offer.

In general, the buyer company prefers trading with companies of larger than average size and with a good reputation. Exposed to risks, companies in the branch perceive security and control to be important. In the case study relationship, the supplier's business with the Finnish army is a substantial reference with respect to the factors named earlier.

The new contract between the parties was signed in autumn 1996. The change was initiated because of the buyer's need to improve the economic profitability of the functions. The purchasing process took half a year during which the common goals, such as measures for monitoring maintenance activities and commercial issues, were negotiated. In the contract, faults are prioritised and categorised according to the date by which they have to be repaired. In this purchasing process as well as in all others, technical experts from both parties negotiate the technical and functional issues, preparing them for the commercial decision-makers.

The state of the new co-operation is evaluated every three months in a meeting with a feedback discussion. After eight months of experience with this co-operation, the buyer's opinion is quite positive. They have not received any functional complaints from the field. However, a slight air of dissatisfaction rests over information transfer in the seller company. Issues agreed upon at the commercial level do not always reach the operational level fast enough. Concerning the contract, some issues must be made more accurate in re-negotiations. Experience has revealed some nuances that could not be anticipated in the earlier bargaining process. On the other hand, the buyer's whole acquisition format is changing. For category A suppliers, only general lines will be drawn in the contracts and the details are to be negotiated deal by deal.

On the buyer side, the costs of the maintenance contract are compared monthly with the old system. In the old system, the seller invoiced separately the hours used in the maintenance and repair, travel expenses, and spare parts. In the current one, a fixed monthly price per dispenser is agreed upon in the contract.

Information exchanged in the relationship at the commercial level concerns the buyer company's future development and international background organisation as well as the seller company's future plans. Information is transferred in face-to-face contacts, by mail, phone and fax. For information security reasons, the buyer

company has access to an intranet of the Exxon conglomerate but no information is exchanged in extranets or over the internet.

Ongoing dialogue between the parties ensures that the customer's needs are taken into account by the seller. Co-operative product development functions are limited to developing functional issues such as protocols for communication between machines. Exceptionally, some measurement device development has occurred in negotiations.

In the relationship, the seller has to be flexible and adapt its functions to match the buyer's American business culture, and in particular, to match their quality and security systems. In trading, the buyer does not demand a quality system from the supplier, even though having an ISO standard may give the supplier extra points in ranking.

The buyer party is satisfied with the focal relationship. Although operating in a wide range of business, they have fewer conflicts than the average in the company's supplier relationships. Usually, conflicts are handled at the operative level though on some occasions influencers have been asked to solve the problematic situation.

The buyer would like to expand trade with the seller because of the heterogeneity of equipment in their service station system. Different fuel dispensers, payment terminals, and cash registers from multiple suppliers do not make operating easy. In the future, replacing old equipment with the seller's equipment would homogenise the situation. Furthermore, the seller's trump card is their aftermarketing competence.

A new common project of the parties is an international contract for automation equipment. For the seller, new markets would be opened in Europe while better prices and the maintenance competence of the equipment manufacturer would create added value for the buyer.

Teboil (C2)

In the service station systems, the different pieces of equipment from cash register suppliers, fuel dispenser suppliers and payment terminal suppliers have to communicate with each other. Accordingly, the suppliers also have to be co-operative in maintaining and developing the physical networks. These relationships have an effect on the buyer's development policy and on trade because the buyer does not want any obstacles in the technical development of the service station systems.

The branch is very conservative and is governed by foreign equipment manufacturers. Today, instead of buying certain equipment, a holistic maintenance system is bought with the equipment. The buyer, looking back, sees wave patterns in their acquisitions from different suppliers. From the very beginning of the seller's business, they have had minor trade with the buyer. In accordance with the competence development and marketing of the seller, its share of the customer's purchases has increased and in some cases even surpassed

that of the foreign suppliers in the dispenser line before decreasing again. In the payment terminals and automation, the seller's competitor has always been a bigger supplier; however, in totally automated service stations for heavy traffic the seller has always been a more significant supplier.

The buyer's strategy in service station systems acquisition is to be loyal to two equal suppliers whose equipment is developing side-by-side and who can be expected to stand in the future. The ideal has not yet been reached. A third supplier also exists, even though the buyer considers three to be too much. On the other hand, the buyer does not see committing to one supplier as reasonable. With so many groups of products, one supplier may exceed the others in some group and lag behind in another. Applying a long-term perspective to the buyer company's own future, decisions and selections are made according to the assumed life cycle of the product together and the ease and financial advantage of changes needed during the life cycle. Thus, a compact closed system with little room for additions in the long run is not preferred by the customer organisation.

The buyer's criterion for keeping to existing suppliers is the avoidance of heterogeneity in both maintenance and outlook. However, the buyer party continuously screens the supplier markets. Even if dispenser models remained unchanged, prices and rates of exchange change over time and also maintenance services develop.

A long-term follow-up is made concerning quality security, in other words, how well the different suppliers' equipment and models hold up with use. One important issue with fuel dispensers is calibration, due to the costs of having them adjusted. The life cycle of a dispenser varies, depending on its location. A common life span is about 20 years, but after 10 years or 7 to 8 million litres of fuel there is a critical point where the increase in maintenance costs is substantial. With payment terminals, changes are needed because of changes in bank notes and bank cards. The costs of the changes in all the buyer's all terminals are worth approximately 260,000 dollars. Documentation for the equipment and software is usually in the hands of the supplier. In the case of changes, the parties together define which new characteristics are needed.

In the customer's view, the dispensers are standardised products with high competition, and thus selling and marketing are the key elements in trading. The suppliers seem to forget the fact that not only engineering skills or technical competence are important in business, but also human interaction.

In the buyer company, the purchasing department handles the **relations** to the suppliers. The customer's project manager is responsible for the maintenance functions in the field, including the development of cash systems and their automation with software testing and program definitions. On the buyer side 'the internal police' of the company are very rigid about the reputation of the company's counterparts. Tolerance is fairly low. According to the buyer representatives, the reasons for that lie with the stakeholder structure of the company.

In the case study relationship, in addition to the people who interact frequently, the current top management of each company have met each other at least once.

The products traded are dispensers and payment terminals including installation and programming. The yearly revenue in the relationship varies from 260,000 to 525,000 dollars. The buying party's reason for trading with the seller is its nationality; according to the buyer, to sustain domestic industries prices can be up to 5% higher on domestic products than on foreign ones.

Co-operation in the case relationship materialises in program development projects. In this co-operation, definitions of the new characteristics are negotiated, changes are made by both the seller and the buyer company, and new applications are tested together before the actual implementation. According to the respondents, minor mutual product development of equipment has also occurred on the buyer's suggestion.

The buying party considers the relations between the parties to be fairly primitive. The equipment is offered with a certain price for the buyer to decide whether to take it or leave it. According to the buyer, the seller has concentrated on production and product techniques in order to develop a more economical production. The outlook of the product seems to be a minor issue for the seller. In this case, the differences in company cultures may have an effect on the relations. There have been difficulties in software development due to the lack of mutual communication skills.

The buyer party characterises the seller company as a technical rather than a commercial company. One interviewee perceives the counterpart to be faceless: *"Though I have been the manager of our service station maintenance department, which is responsible for 3000 dispensers, for 15 years, the counterpart has remained faceless for me"*. The buyer's acquaintance with the seller's competitors mentioned as one reason for the lower number of the seller's dispensers in the buyer's network. On the other hand, the buyer's purchasing department is also inclined to maintain a low profile towards the suppliers with respect to social interaction. Technical and functional characteristics of the product are preferred to personal interaction. However, personal interaction between the sales manager and the buyer's project manager, as well as between the seller's personnel involved in updating the software programs and the buyer's project manager is important. At the time of the interview, the updating project was going on and contacts between the parties occurred weekly.

The intensity of contact between the parties varies. At the time of the interview (August 1997), the customer's project manager and software personnel had an intensive period. Normally, once every three weeks there is a situation demanding the customer's contact with the seller representative. The sales manager of the seller makes phone calls to the purchasing manager every two weeks. For the buyer, the manner looks like a ritual, a normative habit. Face-to-face contacts between people are few; the customer's development manager (earlier manager of maintenance) has not met the seller representative in five years, and the purchasing manager last visited the seller over two years ago.

The purchasing manager and the project manager of the buyer are very active in contacting the seller party in the case of practical software problems in the field. Faults in the equipment occur daily. Concerning the repair of these faults,

interaction takes place between the individual service stations, the buyer's service station maintenance department and the seller's maintenance function.

According to the buyer, the same patterns of interaction seem to occur with all the equipment suppliers. The customer complains about faults or high prices, and in defence, the seller cites the rise of the dollar's exchange rate or the number of foreign parts in the equipment. After that, the seller usually invites the customer to a sauna or a dinner.

Information exchanged in the case relationship is mainly related to daily work. No information has been exchanged concerning, for example, the expected changes in the programs caused by the year 2000, euromoney, etc. The seller has not informed the buyer about its resources and capabilities in these issues. On the other hand, the seller's sales manager is interested in the buyer's decisions about the future. Due to having some major projects with the supplier's competitors, standardisation decisions have not yet been made in the buyer company.

The relationship has not changed during the 25 years that one of the interviewees has been working on the buyer side. According to him, there is no quarrel but mutuality is lacking. For future development in the relationship, the buyer party expects information about the seller's policy on equipment development. On the buyer side, the uncertainty of the seller's future plans is an obstacle to the development of trade in the relationship. They do not dare to change their emphasis from large existing suppliers to the seller, due to the lack of conviction in its future. Especially concerning the future of software development, the area is very sensitive with no room for mistakes.

Using a marriage metaphor, the buyer party perceives themselves as being engaged to the seller, especially with the card payment terminals and software. On the other hand, should the relationship break up, there are relatively few of the seller's products in the buyer's system, so they are replaceable if necessary.

The buyer company perceives the quality image of the seller company and its products in a positive light. However, something else is needed – more personal relationships between individuals. The buyer lacks a clear picture of the profile of the seller division: is it maintenance, equipment, or sales? The seller is seen as an amoeba, hard to catch, and empathy towards the buyer is felt to be missing. There seems to be no interaction; this affects the relationship because, as one of the interviewees put it, *"decisions are finally made at the emotional level"*.

To improve the relationship, the buyer would prefer that one or two key people on the seller side would handle all relations. They do not, at this point in time, recognise anyone in the seller's organisation having responsibility for the customer, nor do they see the seller as having anyone who would create the prerequisites for discussion. Due to different functions of software development, maintenance and sales, the people inside the firm do not communicate substantially with each other. Thus, conflicts resulting from information breaches on the seller side do occur.

SEO (C3)

The role of the customer organisation as a co-operative of service station owners is to create and maintain relations to suppliers and to transfer information to the owners. Every station owner purchases his/her own equipment, and invoicing and payments are handled between the seller and the buyer station with no bonus for the co-operative organisation. When contacting independent service station owners, the sales manager of the supplier company has noticed the substantial weight of SEO (referred to here as the customer organisation) references.

Concerning the products sold by the seller party in the case study relationship, the station owners usually trade with three suppliers of new dispensers as well as a wide range of second-hand dispenser suppliers. The compatibility of the equipment delivered by different suppliers is not perceived as a major problem by the co-operative representative.

The people interacting in the case relationship are the sales manager and maintenance personnel on the seller side, and the area manager (20 years in the company) and others on the customer side. There have been many changes in personnel on this side; two people with whom the seller's sales manager previously communicated have left the organisation to establish their own businesses in the branch, and the managing director has changed.

The case relationship is purely a market relationship. The active party is the seller; its sales manager makes phone calls a couple of times a year to gauge the demand for new service stations and customers' needs for changing dispensers.

According to the customer party, the reasons behind the present state of the relationship can be traced back to its first years. As a small co-operative organisation of individual entrepreneurs, the customer representatives felt that they were underestimated by the individuals of the seller company. In the interviewee's view, the seller party could not see their potential. Therefore, today, the reference list given to the potential equipment buyers often lacks the name of the seller party.

The customer representative's perceptions of the quality of the seller's equipment are based on stories heard from independent installers and maintenance firms who find that the seller's products require more ongoing maintenance and repair than competitors' products and have higher operational costs. However, the way that aftermarketing is taken care of in the seller company is appreciated by the customer party. Problems are handled well but they just occur far too often, according to the respondent who received this information years ago. The seller has informed the other party about improvements made, but the parties have not communicated with each other lately.

The customer perceives the behaviour of the seller party's personnel stiff and authoritarian, in contrast to the tradesman mentality that is common in the customer network. Social interaction does not occur between the service station owners and the seller, nor between the co-operative unit and the seller.

The future of the relationship does not look bright. First, the perception of product quality is negative on the customer side. Second, as long as the current

people are responsible for the relationship, no changes in attitude can be expected.

6.4 Relations Between Special Systems Division and Its Customers: Police School (D1), Merita (D2) and OKO (D3)

Relation between Special Systems Division and Police School (Police) (D1)

The relationship started in 1991. Initial contact was taken by the buyer and some preliminary negotiations about supplying a simulator took place. On the basis of negotiations, the idea was developed further and an offer concerning the definition of the project was sent and accepted at the beginning of 1992.

The customer's reasons for selecting the seller company were, in addition to the competitive economic offer, the functionality, the potency for mutual design engineering co-operation, and the domestic option. The education material produced for the defence forces by the seller also had its weight on the scales. Already in the offer phase, the seller's business culture – flexible, modern and capable of teamwork – became familiar to the buyer.

In the definition phase, the product was developed in co-operation between the seller and the customer. On the seller side, the contact persons have from the beginning been the system specialist, the division director and the product group manager. On the buyer side, the people involved in the development project were the heads of the Police School, the expert teachers of the area and representatives from the Police Academy and the Ministry of the Interior. Being a public organisation, the customer's funding for the project came from the state budget. The last two members of the buyer's team dropped out when the simulator accomplishment project was begun. The managing director and the division director of the seller company have also been present in the commercial negotiations and meetings for closing deals.

After the first project, the buyer let five potential suppliers of the simulator compete. The competition was won by the seller, with whom the buyer signed two different contracts in 1995. One agreement is a general one guaranteeing the realisation of further phases in the defined three-stage development and implementation of the system. The second agreement concerns the ordering of the first decision-making simulator used in the customer's shooting gallery. The second simulator will be located somewhere else on the customer's premises. In the third stage of the plan, another simulator will be located in the Police Academy, for their management education, ensuring the use of simulators not only with guns and police tactics but also in the wider fields of decision-making.

From the beginning of the actual project, the main responsibility for interaction was moved to the project manager of the seller unit. As usual in projects, many

people from both sides have contacts with each other. In the project meetings concerning technical details, for example, direct contacts between certain people can be settled upon.

The interviewee on the seller side is the system expert of the simulator product group responsible for marketing, especially exports; he also participates in product definition, product development and customer projects and he has worked in the company since 1990. The seller's main contact-maker is the project manager. On the buyer side, the head of the Police School has been responsible for the relationship since 1994. She was involved in the purchasing process for the simulator from the very beginning and was in the group that first came up with the notion.

The first simulator project was completed at the end of 1995. The customer's first control of the device was made on the seller's premises in October. The simulator was installed on the customer's premises in November, after which it was tested. In the autumn of 1996, negotiations on both the commercial and the technical contents of further projects were going on between the parties.

The role of information exchange has been crucial in this relationship. Already before starting the definition project, huge quantities of information on the organisation, functions and the particular education program of the buyer was transferred to the seller party. This has been continuous. The seller, in return, transfers information about the possibilities created by technology development. Physically, information is exchanged in documents made during the process and in discussions that often produce the deepest and most relevant information. Fax and telephone are also used in communication and because they are located near to each other, the parties have much opportunity to interact face-to-face.

As outcomes of the project, adaptations in the customer's teaching methods have been made in addition to education of staff and the adaptation of resources. An additional outcome was a new market opportunity for the seller. For the seller, demonstrations of the buyer's education systems with a presentation of the simulator offer a splendid marketing opportunity. For the buyer, the presentation is an extra service offered by the seller.

At the operative level, the delivery of the simulator and the involvement of the teachers also deepen the whole relationship between the parties which is, according to the buyer interviewee, typical in these kinds of relations.

The seller perceives as the most important issue in the development of the relationship their ability to respond to the needs and challenges expressed by the buyer. In the branch, the number of competing solutions has increased slightly and thus the contract-based co-operative relations do not ensure further co-operation after the project is accomplished. According to the buyer representative, this may be the case around in the change of the millennium although by that time, technology may have changed enough to offer new solutions for mutual co-operation. In the future, if new systems are needed the buyer will let the suppliers compete.

Relations between Special Systems Division and Merita and OKO Banks (D2 and D3)

In the information security branch, the number of potential customers in Finland is low. One of the most important target group is the banks. Thus, in these markets, both the equipment and the relations count. Starting with the purchase of one product, relations tend to develop via purchases of additional elements which match the previous purchases or via purchasing of different kinds of products. Continuity is essential in these relationships.

The speciality of Finnish banks compared with central European and other banks is their ability to co-operate on information security issues even though they may have hostile competition in other lines of business. The branch demands high quality technology in their security systems.

In the banking branch, legislation has a substantive role. From another standpoint, though, it has no role because banking security wants to remain one a step ahead of legislation in order to cover its own back. For over ten years already, the seller company has participated in the creation of the safety norms for payment service systems with Finnish banks. They have affected the development of the systems by consulting the technical realisation and supplying equipment. The security people of all Finnish banks have an intensive relationship with the seller. Together they debate safety issues common to participants. In 1985 the first supplies for the bank card systems common to Finnish banking groups were delivered by the seller.

The key relationships are over ten years old even though the buyer company D2 (Merita) is a fairly new organisation formed by a merger of two banks and bank D3 (OKO) has had changes in organisation. On the seller side, the responsible person is the product manager although the division manager also interacts with the other parties and, in projects, with the design engineers. On the buyer side, in Merita (D2), the key person is the ADP (automated data processing) security design engineer and in OKO (D3) the information security manager. Additionally, a few other people from the customers' companies come into contact with the seller party.

In these relations, the products in focus are information security products, including both hardware and software such as bank card safety catches, hiding devices and safety transfers. Often, the delivered product is not ready as such; it must be installed, tested and tuned on the customer's premises. Changes might have to be made in the software in order for it to match the system. In the acquisition phase, the seller and the buyer agree on the stages when evaluation of the process and further actions needed is made together.

In the case of OKO (D3), the system common to all banks is the only product connecting the two parties for the time being. There have been some other project plans with the seller but they have not materialised. The delivery of the system bought from the seller took about two years from the first contact to installation on the customer's premises. During that time, interaction between the interviewees was more intensive while at this stage it is rather sparse.

The relationships are perceived as co-operative by both the supplier and the customers. There are no written or verbal agreements concerning the relationships but contracts of singular deals are used. Usually, the customers are well aware of their needs and solutions are tailored for the customer. The product includes both the equipment and the program – the whole – as well as comprehensive documentation for the buyer. The seller, due to its quality system, makes the documentation even more comprehensive than is compulsory, for example in software programs, by providing step-by-step in addition to the usual definitions. Furthermore, the seller produces technical documentation that is not of much interest to the customer but is produced for the supplier's own use.

In bargaining, product definitions, including current functions, are enclosed with the tenders; depending on the delivery time, the functions may need to be updated before the delivery. In case of reclamation, the definitions of the offer are valid. The seller wants to have all the details of the deal written in the purchase contract to avoid future conflicts about the content of the delivery.

Depending on the supplier, potential customers may get the commodities free for testing or they may have to buy them. Concerning the settlement of the invoice for a system, customers often pay in instalments if a system takes a long time to be made ready. The customer pays a certain sum when closing a deal, and the rest is paid in accordance with the proceeding of the project; this way, both parties commit to the deal. In case of ready products, it is typical that customers test the equipment and devices before they close a deal.

In a purchase the initiator is usually the customer party, who has a problem for which the parties together develop an appropriate technical solution. It may take many rounds before the technical part is settled. For instance, interactions between the customers and the supplier may take years, as in the case of the acquisition of common systems for banks. Banks develop, make plans and certain agreements and propose solutions for comments by the seller party.

The contracts between the parties in the OKO (D3) relationship usually include an agreement on some sort of maintenance for the system's life cycle. However, the contracts are checked and corrected if necessary. The initiative for this may come from either party but the changes are mutually agreed upon.

In Merita (D2), the buying process for a product in the company always starts with an acquisition proposal made by the security department. Depending on the economic value of the acquisition, it is accepted by the department manager, group manager or the board of information-acquisition directors, including the director responsible for data and the group manager to whom the acquisition belongs. The operational functions are carried out by the company's centralised buying unit, which handles the commercial negotiations with the respective people in the seller company. In contrast to Merita (D2), the purchase function in OKO (D3) is the responsibility of the person to whose product area the acquisition belongs. Naturally, that person utilises the expertise of other specialists within the security safety unit.

The customer chooses to operate with the seller because they have the most advanced domestic expertise in the field, and in case D2 (Merita), because of

personal attraction to the counterparts' representatives. However, the customers also have contacts and trade with the seller's competitors who mainly supply security modules for the payment terminals.

The seller representative doesn't see organisational culture as being very important in these relations; more important are similarities among the interacting individuals, their ability to understand the other party and act accordingly. Both customer representatives consider the quality of work and devices and the trustworthiness of the company as part of the organisational culture, however, and in that respect it is important. Furthermore, customer D3 (OKO) mentions the good financial standing and the continuity of the supplier's activities as meaningful issues in the case relationship.

The plans concerning the relationships are long-term. However, the seller evaluates every individual deal as such, based on its content, implementation and profitability for both parties. Often in negotiations, the seller expresses thoughts about the future development of the issue under scrutiny while the buyer parties plan interaction deal-by-deal. The customer lets potential suppliers compete in order to get a better picture of the available options.

Contacts between the parties are infrequent and are initiated mainly by the buyer when needed. Sometimes the seller might make a call if there is something new under work or if he needs the buyer's opinion on some issue. When projects are going on, interaction may occur daily while between deals there may be silence for many months. In these relationships, the parties do not contact each other for merely social reasons. Vehicles used in communicating are telephone, fax and mail. For reasons of confidentiality, mobile phones are not used to discuss business, and the same goes for internet connections. Negotiations of the most delicate issues are conducted face-to-face.

The relationships between respondents in case study D2 (Merita) have, over the course of the years, deepened into personal ones. Counterparts know each other as human beings, not as role characters, and they also talk about private issues, not only about work-related questions. In relationship D3 (OKO), relations between interviewees have remained as work-related role relations.

In addition to relationship D2 (Merita), the seller division has another relationship within the same company, with another unit responsible for the work station systems. The contact was originally created through the existing D2 relations but has since become independent.

Changes in the banking environment have had some effects on the case study relationships. In relationship D3 (OKO), a project for which offers were asked and for which the seller would have been the first choice was cancelled or postponed due to the economic situation and compulsory co-operative negotiations with the personnel. If the project is carried out in future, new invitations for tender will be required because of rapidly developing technology and new solutions.

Both sides in the OKO relationship have continuously adapted due to the mutual development of the system. In this fast-developing field, the seller's ability to continuously meet the changing technical requirements and maintain the

competitive price levels is, in the seller's view, the key to future mutual business. The same criteria was expressed by the buyer D2 (Merita). Furthermore, he also mentioned confidence.

For the time being, the seller expects no changes in the relationships. The buyer side expects the new project facing all banks – payment terminal readers that will affect systems and payment terminals – to activate the network relations formed by the seller and all the banks. Furthermore, customer D3 (OKO) sees the amount of business in the relationship as affecting it.

7 Summary

The case study design is an embedded single case study. The empirical research encompassed a study of the supplier company's marketing and 12 sub-cases, i.e. relationships between the supplier company and its customers. These relations represent the whole spectrum of the supplier company's most important customer relations as the director of each division selected three typical yet distinct customers.

The case company, Instrumentointi Oy, is a high technology family enterprise founded in 1960 under the name of Automatiikka-Asentajat. Today, the company's operations in three lines of business – industrial automation, service station automation and defence technology – are divided into six divisions, each responsible for returns.

Instrumentointi Oy's mission is to continuously develop products and services that meet customers' operational requirements and to ensure customer satisfaction by providing maintenance and modification services throughout the system life cycle.

The oldest of the business lines, Industrial Automation, consists of an Engineering Division (founded in 1979) specialised in the design engineering of industrial automation and in turnkey deliveries, as well as an Installation Division, formerly Automatiikka-Asentajat, specialised in the installation and maintenance of industrial automation and process electrification.

The second line, Defence Technology, is divided into an Avionics Division (founded in 1973) responsible for modification and maintenance services and the maintenance concept design of avionics devices and equipment, and a Special Systems Division operating in air defence technology, simulation systems, security systems and command and control systems.

Service (Petrol) System Automation, or Service Station Systems Division, originates from the electronic department that was founded in 1974 to develop self-service instruments and devices for petrol stations.

The origin of the newest division, Display Systems Division, rests on the purchase of product rights in 1995 and the employment a person familiar with the products, their techniques and marketing. As such, the potential target markets and customers for the new products were unknown to the case study company but the purchase was expected to bring in technological advantages and synergy.

Thanks to the success in the markets, the company employed more personnel, and the activities that were previously under control of the administration were transferred into this new division in autumn 1996.

In summer 1996 when the empirical evidence was collected the company had five divisions, four of which participated in the study: Avionics Division, Installation Division, Service (Petrol) Station Systems Division and Special Systems Division.

Customers of the Case Company

The main customer of the Avionics Division is the Finnish Air Forces with an 85% share of capacity. Being responsible for the maintenance of Hornet fighter electronics, the division can be seen as a part of the Finnish Defence Forces, especially in the event of crisis. Additional customers of the division are the Finnish Frontier Guard, the Finnish Army, the Police, Finnair and private aircraft owners. The customer relations under focus in this study are the Avionics Department of Finnair, the Air Patrol Squadron of the Finnish Frontier Guard, and the National Bureau of Investigation.

The customers from the Installation Division come from multiple industries: paper and pulp, power, metal, chemical and food. The division's most lasting business relationships have been with Neste, Enso and Veitsiluoto (Oulu-yhtiö). The case study relationships were those between the Installation Division and Metsä-Serla Tako Paper and Pulp, Metsä-Serla Kyro Paper and Pulp and Neste Engineering.

In the Service (Petrol) Station Systems Division, all the oil companies operating in Finland are the selling company's customers and are divided into two segments, major oil companies and other individual customers. Due to the life cycle of the products (15 to 20 years), about ten per cent of the customers are one-time customers in equipment sales. The large ones have been customers since the beginning of the business over 20 years ago. There have been changes in customer companies who have merged and allied. Abroad there are some customers with whom the relationship can be considered long-term. At the time of the interview, two bargaining processes for delivering tens of complete service stations were going on. The case relationships studied were among Service (Petrol) Station Systems Division and Oy Esso Ab, Oy Teboil Ab and the Finnish Energy Co-operative SEO.

The organisation of the Special Systems Division is based on products; thus, different product units serve the same customers. The Finnish Defence Forces are a common customer of all the units and customers of the simulation systems include the Police and Finnish Railway. IT security systems and products are widely sold to public administration, banks, health care and large companies. The case customer relations examined were those to the Police School, Merita Bank Data and the Inspection Unit of the OKOBANK (OKO).

Marketing in the Case Company

In Instrumentointi, marketing is defined as the activities aimed at getting invitations for tenders which includes identifying customer needs. Once a bid is received and the customer and its need identified, the activities of the company are defined as sales.

At the company level, marketing is mainly about creating and maintaining a positive company image. However, three or four meetings are arranged yearly where the directors of the divisions give their reports on the current situation and where both customer and competitor fields are discussed and evaluated. In addition to this systematic monitoring, casual information about the markets is collected.

Ways of marketing vary in the company. In addition to the top level relationship management, marketing in divisions to a large extent traditionally includes keeping ongoing contact with the customers. Marketing also includes information deliveries about new technology and getting feedback from customers. This is crucial when products age rapidly in the technology industry.

In the company, the board of directors (including the directors of the divisions) defines the objectives for divisions. These objectives are given yearly in figures in the company budget. Every division takes responsibility for its own marketing and other activities in order to meet the objectives set by top management. Strategic decisions like purchasing the display systems technology or going international are made at the company level.

Relations of the Case Company

Traditionally, relations with customers have been considered important in the supplier company although lately, relations with other stakeholders have gained more attention. Important stakeholders are, in addition to customers also suppliers and subcontractors and financiers; different city and district organisations, like the chamber of commerce are also considered stakeholders, as are local commercial and industrial groups, according to the managing director. Educational organisations like universities, technical colleges and vocational schools play a substantial role in searching for prospective employees. In the managing directors view, one of the company's strengths rests on good relations with the producers of potential staff.

Divisions, typically through their directors and closest staff, are responsible for customer relationships although responsibility rests partly on the shoulders of top management, too. The extent of the involvement varies from industry to industry. In the defence technology industry, the top management of the seller company has tight contacts with the top management of Defence Forces, i.e. the body of generals, Ministry of Defence and the local top of the hierarchy. In this sector, the relations at the top level play a critical role even though the actual bargaining is

done at a totally different level. In the industrial automation industry, relations with the top executives of the large customer pools are rare. Traditionally, top management has relations with the directors of the special branches, for example the automation and electric branch. In service (petrol) station automation, both in Finland and abroad, top management has few customers with whose respective top management they have relations, as contacts are often at lower levels.

The emphasis on relationship management activities at the top level varies according to the projects or potential projects under work. Most of the time that top management sets aside for customer relations is used in the connections with the Defence Forces.

At the company level, in addition to the managing director and the marketing director, the staff manager and the director of finance participate in customer contact every now and then. In addition, the director of finance is heavily involved in company image marketing as directed towards financiers and other stakeholders rather than towards customers.

Customers are ranked by the seller company, though not officially. An example of the ranking can be seen in the Industrial Automation Division even though the same goes for every division. The first customer group of the division is formed by central industrial factories who are frequent customers and clients. To another group belong customers for whom the division is a subcontractor. The third group consists of occasional customers, some of which are known to be one-time customers with whom one cannot expect any new deals for at least ten years. The others in this group buy services every now and then.

For the marketing of the case company, the most important stakeholders are customers, followed by financiers. Their importance for the persistent business activities has grown substantially during the past years. Having previously been a so-called "one bank enterprise", the company has now shared the monetary risk among many financiers. Today, the financiers are interested in the future outlook of the business while earlier their interest concentrated on the history of the firm and its latest profit and loss account and balance sheet.

The company's personnel are ranked as third in importance for marketing. To motivate personnel to adopt the customer view, marketing knowledge and customer orientation is produced by educating staff in the fields of marketing and personal bearing in sales situations.

The role of internal marketing in the company is seen as challenging. Due to various profit units operating in different lines of business, the risk of internal conflicts is high. The divisions are fairly independent and the perceived importance of the other division varies much among the divisions. Potential conflicts are proactively taken care of by dialogues and information exchange in management group meetings that serve more as a forum for discussions than a place for decision-making. Furthermore, a company newsletter is used in transmitting information.

The company's relations to suppliers and subcontractors are entirely in the hands of the divisions; there are a great number of them so that no individual supplier has a substantial role from the perspective of the company. However,

when asked by divisions, administration may unravel the backgrounds and credit information of current and potential supplier companies.

Due to the lack of heavy local business, Instrumentointi has no tight contacts with the local political decision makers. The city managers are, however, acquainted with the top management of the company and leading authorities in the local economic life are frequently contacted. The managing director compares the depth of these relations to those gained through acting in the chamber of commerce.

National politicians are a stakeholder group who especially affect the defence technology industry that interacts constantly with the government. They have a substantial indirect effect on future business. Despite the important role of the politicians, the company has not, however, made any efforts to lobby them, although authorities in the Ministry of Defence have been contacted.

Relations to professional organisations, for example the Chamber of Commerce, the Confederation of Finnish Industry and Employers, the Federation of Finnish Metal, Engineering and Electrotechnical Industries as well as local organisations, are the responsibility of the managing director.

At the company level, contacts with social organisations, like Rotary clubs and Lions are not systematically preferred even though individual persons belong to them as private citizens. However, the marketing manager's former career as an international ice hockey player and current board member of an ice hockey club affects the social entertainment usually offered to the customers.

The role of social relations in potential business depends, according to the managing director, on the closeness of potential markets. In the near district the network of social relations is dense, while in the national surroundings it thins a bit, and internationally the seller company recognises multiple holes in the network of social relations. Local and national social networks are seen as supporting the company's business efforts abroad. If they are not competitors, members of the social networks may spread information about the focal company and its products to potential customers as well as information about potential customers to the focal company.

Concerning the stakeholder relations outside the company, there is a clear distinction between the responsibilities of the managing director and the marketing manager. The managing director participates in the activities of different professional organisations and official boards of directors. The marketing manager is a member of a local commercial club and some boards of directors.

As for the customer relations of the divisions, there are a variety of ways of managing them in the case divisions. In Avionics, Installation and Special Systems Divisions, there is only one key person on both party sides of the relation, while in Service (Petrol) Station Systems Division, the responsibility for relations is divided among more people due to the structure of the business. Especially in the case of Service (Petrol) Station Systems Division and its customer relations, the role of intra-organisational functionality and intercommunication is crucial.

Furthermore, the levels of interaction and intercommunication vary from relation to relation, mainly due to the amount of business. The more important the organisational parties perceive the relationship to be, the higher the level of contacts that can be recognised.

Appendix 2 Comparison of alternative views of science.

	Positivistic/Empiricist Science	Modern Empiricism	Relativistic/Constructionist Science
1.	Science discovers the true nature of reality.	There is a real world and, although science attempts to discover the nature of reality, the "true" nature of reality can never be known with certainty.	Science creates many realities.
2.	Only the logic of justification is needed to understand science.	It is useful to distinguish between the procedures that science uses to discover its knowledge-claims from those that science uses to accept or reject (justify) its knowledge-claims. The academic discipline of philosophy of science historically focused on issues in justification.	The process by which theories are created, justified and diffused throughout a research community are needed to understand science.
3.	Science can be understood without considering cultural, social, political and economic factors.	The procedures that science uses to justify its knowledge-claims should be independent of cultural, social, political, and economic factors.	Science is a social process and cannot be understood without considering cultural, social, political and economic factors.
4.	Science is objective.	Although complete objectivity is impossible, science is more objective in justifying its knowledge-claims than non-sciences, e.g. medical science is more objective than palmistry.	Science is subjective.
5.	Scientific knowledge is absolute and cumulative.	Scientific knowledge is never absolute. Much of scientific knowledge is cumulative, i.e. we really do know more about the causes of infectious diseases today than we did 100 years ago.	Scientific knowledge is relative to a particular context and period of time in history.
6.	Science is capable of discovering universal laws that govern the external world.	Science attempts to discover regularities among the phenomena in the real world. Some of these regularities are stated in universal form and others are stated in probabilistic form.	Science creates ideas that are context dependent, i.e. relative to a frame of reference.

Comparison of alternative views of science. (Source: Hunt 1991: 408-9)

	Positivistic/Empiricist Science	Modern Empiricism	Relativistic/Constructionist Science
7.	Science produces theories that come closer to and closer to absolute truth.	Much of scientific knowledge is cumulative. Absolute truth is not knowable by science.	Truth is a subjective evaluation that cannot be properly inferred outside of the context provided by the theory.
8.	Science is rational since it follows rules of formal logic.	Science is rational since its purpose is to increase our understanding of the world. It does so through developing theories, models, lawlike generalizations and hypotheses which purport to describe, explain and predict phenomena.	Science is rational to the degree that it seeks to improve individual and societal well-being by following whatever means are useful for doing so.
9.	There are specific procedures for doing good science (e.g. falsification)	There are norms for doing good science. For example, theories should be testable, measures should exhibit reliability and validity, and data should not be fabricated or otherwise fraudulently collected.	There are many ways of validly doing science that are appropriate in different situations.
10.	Scientists subject their theories to potential falsification through rigorous empirical testing.	Theories are and should be subjected to the empirical testing process.	Scientists seek supportive, confirmatory evidence in order to market their theories.
11.	Measurement procedures do not influence what is measured.	Absolute perfection in measurement procedures is impossible.	Nothing can be measured without changing it.
12.	Data provide objective, independent benchmarks for testing theories.	The empirical testing process provides good grounds for accepting some knowledge-claims and rejecting others.	Data are created and interpreted by scientists in terms of a variety of theories and thus are theory-laden.

Comparison of alternative views of science (continued).

Appendix 3 Interview guide for the themes concerned with marketing strategy.

Tuula Mittilä

July 1996

INTERVIEW GUIDE FOR THE THEMES CONCERNED WITH MARKETING STRATEGY

Name of the company/SBU

Name of the interviewee

Position of the interviewee

MARKETING

1. Have you defined the goals of the company's business at a general level?
+ (in case of yes) What are the goals?
+ (if not stated earlier) What are the marketing goals?
2. Who are responsible for marketing in your company?
3. Who decide(s) the marketing strategy in your company?
4. On what is marketing thinking based in your company?
5. Have there been any changes during the last three years concerning the general marketing thinking in your company?
+ (in case of yes) What is the reason for the changes you described?
What about changes of marketing / purchasing thinking in the 80's?
6. Does the marketing in your company differ from the general practices in the industry?
+ (in case of yes) How? Why?

CHANGES IN MARKETING

1. Have the following factors changed in the last three years from the point of view of your company ? (card 1)
How?
2. Do you expect any essential changes during the next three years from the point of view of your company ? (card 2)
What kind of changes?
3. In your industry, what is the direction of marketing development in the future?
Have you any vision about the general development of marketing?
4.
 - a) Has the importance of taking care of customer relations changed within the last three years?
 - b) Has the importance of taking care of other stakeholder relations changed within the last three years?
 - c) Has the importance of interaction between customers and your company changed within the last three years?
 - d) Have there been changes in the time span of marketing within the last three years?

ORGANISATIONAL ORIENTATION

1. How would you describe the relation between marketing and other functions of the company? (purchasing, production, administration, accounting and financing)
2. Do you have a customer register in your company?
+ (if yes)
 - a) For what reasons is the register created?
 - b) What information does the register include?
 - c) How often is the register used? In which situations?
 - d) Who utilize(s) the register?
3. What kind of employee compensation system(s) does your company have?
(wages, salaries, commission etc.)
4. What services do you offer to your customers?
- as a core service
- as an augmented service

5. How do you perceive the role of internal marketing in your company's success?
6. How do you enhance the marketing know how of the company's personnel?
7. And how do you promote customer orientation?
8. What are your methods for increasing the service orientation of the staff?
9. Card 3.

RELATIONSHIP MANAGEMENT

1. What are the stakeholder groups of your company?
2. In your company, who is (are) responsible for different stakeholder relations?
3. What is the relation between the persons responsible for your company's marketing and the employee organisations / industry organisations / chamber of commerce / social organisations?
4. Are your company actively represented in those organisations? By whom? In which? Why?
5. Concerning marketing, which are the most important stakeholder groups?
6. Who is (are) responsible for marketing relations?
7. Have you classified the company's customer relations? How? Why?
8. Do you handle different customer relations in different ways? How? Why?
9. Does your company have a system for creating, maintaining and developing customer relations? + (if not clearly stated) What kind of system?

MARKETING STRATEGY (at the division level)

1. Whom do you consider as your customers?
2. Have you divided your customers into different groups, i.e. segments?
+ (if yes)
 - a) Into what kind of groups?
 - b) What are the bases of the division?
 - c) How do marketing activities differ from each other in different segments?
 - d) Which of these customer groups is the most important for you?
3. Do you predominately aim at customer catching or at customer keeping?
4. What is the number of one-time customers and frequent customers in your business?
5. What are your ways of catching new customers?
+ (if not mentioned) Do you utilise advertising, shows and fairs, direct contacts, symposia, customer publications, information service or informal networks of relationships to acquire new customers?
6. How do you maintain and develop the relations to existing customers?
7. Which activities do you take to collect information about your existing and potential customers?
+ (if not mentioned) Do you utilise marketing research?
8. Have you got a customer feed back system in your company/unit?
+ (if yes)
 - a) How does it work?
 - b) How do you utilise information acquired through the system?
9. How is marketing communication taken care of in your company/unit?
By communication I mean personal selling, advertising, sales promotion and public relations.
10. Have there been any changes in the marketing communication in the 1990's? What kind of? Why?

11. Whom do you consider to be the most important references of your products and your company?
12. How do you perceive the role of references in your marketing?
13. What is the meaning of the physical surroundings in which the marketing of your products is conducted?
14. Which measures do you use in measuring the outcomes or results of your marketing?
15. In your mind, on what is the success of your business based? (product, price, place, communication, trustworthiness, quality, something else, what?)
16. Card 4.

CO-OPERATIVE RELATIONSHIPS OF MARKETING

1. What kind of co-operation do you have with
 - a) suppliers of goods or raw materials or subcontractors?
 - b) companies in the same industry?
 - c) companies in different industries? Which industries?
 - d) some other companies. With whom?+ (if not mentioned) Why have you engaged in the above co-operation(s)?

(theoretical possibilities)
 - advertising and sales promotion
 - physical distribution, i.e. logistics
 - sales
 - export
 - marketing research
 - product development and technical research
 - information collecting of marketing, competition, statistics, ADP etc.
 - after sales activities like service and maintenance etc.
 - education and training)
 - something else, what?

2. What is your perception concerning the changes of cooperative activities during the next three years?
3. Do you have active quality groups in your company?
+ (if yes)
 - a) Who are the members?
 - b) What activities do the groups perform?

MARKETING CARD 1

Concerning your company, do you perceive any changes during the last three years in the factors below?

(Please, mark the proper options)

Area of change	Extent of change				
	no change	minor change	moderate change	major change	critical change
Ways of marketing					
Company network					
Financial markets					
Technology					
Raw materials/energy/suppliers					
Human resources					
Competitors' activities					
Legislation					
Other _____					

MARKETING CARD 2

Concerning your company, do you expect any changes during the next three years in the factors below?

(Please, mark the proper options)

Area of change	Extent of change				
	no change	minor change	moderate change	major change	critical change
Ways of marketing					
Company network					
Financial markets					
Technology					
Raw materials/energy/suppliers					
Human resources					
Competitors' activities					
Legislation					
Other _____					

MARKETING CARD 3

How would you evaluate your company concerning the dimensions below?
(Please, mark the proper options)

**customer
orientation
of the top
management**

low

--	--	--	--	--	--	--

high

**mutual
dependence of
marketing and
other functions**

no
dependence

--	--	--	--	--	--	--

high
dependence

**financial
compensation
system**

wages and
salaries

--	--	--	--	--	--	--

commission

**emphasis of
information
collection**

customer
information

--	--	--	--	--	--	--

market
information

**registration of
customer
information**

in care of
key persons

--	--	--	--	--	--	--

a system
available for all
the personnel

**production of
quality**

production
function

--	--	--	--	--	--	--

the whole
personnel

**role of internal
marketing**

minor impact
on company's
profit

--	--	--	--	--	--	--

strategic for
company's success

MARKETING CARD 4

Which of the options below best describe the current marketing of your unit?
(Please, mark the proper options)

target of marketing		<table border="1"> <tr> <td>mass markets</td> <td>segments</td> <td>individual customer</td> </tr> </table>	mass markets	segments	individual customer					
mass markets	segments	individual customer								
goal of marketing activities	catching new customers	<table border="1"> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> </table>								keeping existing customers
marketing approach	marketing mix (product, price, place, promotion)	<table border="1"> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> </table>								interactive marketing (supported by marketing mix)
acquiring of customer information	sporadic, ad hoc	<table border="1"> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> </table>								continuous dialogue with customers and other stakeholders
measurement of marketing output	market share, number of sold units, coverage of distribution	<table border="1"> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> </table>								share of customer, customer income flows, long-term customer value

Appendix 4 Interview guide for the focal relationships.

Tuula Mittilä

INTERVIEW GUIDE FOCAL RELATIONSHIP

Name of the company
Interviewee (name and occupation)

Name of the other relationship party

Company/SBU

1. Turnover of the company/SBU in 1995
2. Number of personnel at the end of 1995
3. Industry of the company/SBU
4. Products/product groups
5. Customers/end users of the products
6. Age of the company/SBU

FOCAL RELATIONSHIP

1. What is the commodity (product/service) exchanged in the relationship?
2. How old is this relationship?
3. Who in your company/SBU is/are in contact with the representative(s) of the other party?
4. How would you define your relationship?
(Is it
 - a subcontractor relationship
 - a principle - agent relationship
 - a distribution relationship
 - a partnership
 - a market relationship

- something else, what?)
- + Do you have written contract concerning the relationship?

5. What is the specific reason for dealing with the other party of the relationship? (product, the relationship self, something else)
6. Does the reputation of the other party matter your company? Why? How?
7. Does the company culture of the other party matter your company? Why? How?
8. Do you have long term plans concerned with your contact with the other party or do you proceed one transaction at a time ?
9. Have you set mutual goals with the other party concerning the relationship? What goals?
10. How often do you contact each other? Why?
11. Which party usually initialises the contact?
12. What information of the company/products and services do you give/receive to/from the other party?
13. How do you transfer information?
14. How dependent are you from the other party? Why?
15. How important is the role of trust in the relationship?
 - + On what is trust based in the beginning of a relationship/in the later phase?
 - + How does trust/distrust materialise?
16. How is the price of your product/service related to that of the competitors?
17. What is the role price in the focal relationship?
 - + how sensitive is your customer /are you to the changes in price?
 - + how sensitive are the final customers/consumers to the changes in price?
18. What kind of relationships do the representatives of your company have with the representatives of the other company? Are they work related, social or based on something else (what)?

19. Has your company adapted some functions with the functions of the other party? How?
+ do you demand that your partner has to have a quality system at an equal level as yours?
20. Are you satisfied in the way the other party acts? Why?
21. Who in your company/ in the other company are responsible for quality? In your mind, what is quality in the focal relationship?
22. In the relationship, what services do you offer/receive in addition to the core product/service?
23. In your mind, has the relationship changed during its existence? How? What factors have influenced the change?
24. Which is/are the most important issue(s) when considering the future of the relationship?
+ has your company any intentions to continue the relationship?
Why?
+ (if yes) Do you expect the relationship continue as it is now or do you expect changes? Why? What kind of?
25. Do you trade with the competitors of the other party?
26. What other relationships have an essential effect on the focal relationship? Why? What kind of?
27. Which of the following factors influence the focal relationship? (Card1) How do they affect?
28. Please, evaluate the focal relationship by using the scale in card 2.

FOCAL RELATIONSHIP CARD 1

In your mind, to what extent do the factors below affect on the focal relationship?
(Please, mark the proper option)

Factor	Degree of impact				
	no impact	minor impact	moderate impact	major impact	critical impact
Other relationships of own company					
Other relationships of the other party					
Financial markets					
Technology					
Raw materials/energy/suppliers					
Human resources					
Competitors' activities					
Legislation					
Some other, what?					

FOCAL RELATIONSHIP CARD 2

In your mind, what is your company's view to the focal relationship? (Please, mark the proper options)

time span of planning	short	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	long
price elasticity	high	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	low
communication	one-way	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	interactive
willingness to take care of the relationship	low	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	high
role of trust in the relationship	small	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	big
degree of commitment	no commitment	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	growing/ high
object of satisfaction	core product	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	interaction
quality dimension	quality of core product	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	quality of interaction
role of customer service	small	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	big
relationship development	no development	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	deepening over time
dependence on the other party	not dependent	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	very dependent

Appendix 5 Case Interviews

Aaltonen, Matti, development director, Oy Teboil Ab, 19.8.1997

Armila, Tapani, design engineer, Metsä-Serla Oy, KYRO, 27.8.1997

Einola, Esa, division director, Instrumentointi Oy, Special Systems Division,
18.6.1996, 9.8.1996

Forsell, Antero, ADP security engineer, Merita Pankki Data, 15.8.1996

Hahka, Matti, sales manager, Instrumentointi Oy, Avionics Division, 16.8.1996

Härtsiä, Heikki, division director, Instrumentointi Oy, Avionics Division,
26.6.1996, 1.8.1996, 17.9.1997

Juntunen, Raimo, managing director, Instrumentointi Oy, 9.8.1996

Karvonen, Risto, area manager, Suomalainen energiaosuuskunta (SEO) (Finnish
Energy Co-operation), 4.9.1997

Keso, Reima, sales manager, Instrumentointi Oy, Service (Petrol) Station
Systems, 19.11.1996

Kivimäki, Kari, project manager, Instrumentointi Oy, Industrial Automation,
Installation Division, 13.11.1996

Kolari, Markku, project manager, Instrumentointi Oy, Industrial Automation,
Installation Division, 12.11.1996

Konttila, Mika, buyer, Oy Esso Ab, 28.8.1997

Korkola, Jouko, quality manager, Instrumentointi Oy, Avionics Division,
26.6.1996, 17.9.1997

Koskentalo, Mikko, manager, Oy Finnair Ab, Avionics Department, 15.8.1996

Kuusinen, Jukka, manager Avionics Maintenance, Instrumentointi Oy, Avionics
Division, 26.6.1996, 1.8.1996

Kähkölä, Martti, division director, Instrumentointi Oy, Industrial Automation,
Installation Division, 18.6.1996, 16.8.1996

Lehtipuu, Petri, marketing manager, Instrumentointi Oy, Service (Petrol) Station Systems, 17.6.1996, 19.8.1996

Leppälä, Rauno, technical service, Instrumentointi Oy, Service (Petrol) Station Systems, 19.11.1996

Mattsson, Markus, marketing director, Instrumentointi Oy, 20.11.1996

Mikkola, Anja, head, Poliisikoulu (Police School), 22.8.1996

Nelskylä, Carl, department manager, Oy Teboil Ab, 19.8.1997

Outinen, Matti, head of flying technics, Rajavartiolaitos, vartiolentolaivue (Frontier Guard, Air Patrol Squadron), 2.9.1997

Piippo, Markku, division director, Instrumentointi Oy, Service (Petrol) Station Systems, 17.6.1996, 19.8.1996

Pulkkinen, Ossi, product manager, Instrumentointi Oy, Special Systems Division, 12.8.1996

Rautonen, Heikki, system specialist, Instrumentointi Oy, Special Systems Division, 16.8.1996

Rossi, Pirkko, project manager, Oy Teboil Ab, 19.8.1997

Sauso, Paavo, project manager, Neste Oy, 29.8.1997

Savolainen, Martti, project manager, Instrumentointi Oy, Industrial Automation, Installation Division, 12.11.1996

Silvennoinen, Ilmo, manager of information security, Osuuspankkitarkastus (OKOBANK), 15.8.1996

Uusitalo, Ossi, instrument engineer, Metsä-Serla Oy, Tako, 18.11.1996

Viitanen, Jouni, technical support, Suojelupoliisi (National Bureau of Investigation), 19.8.1997

Yli-Outinen, Esa, product group manager, Instrumentointi Oy, Service (Petrol) Station Systems, 19.11.1996

Telephone Discussions

Keso, Reima, sales manager, Instrumentointi Oy, Service (Petrol) Station
Systems, 16.10.1997

Kähkölä, Martti, division director, Instrumentointi Oy, Industrial Automation,
Installation Division, 9.10.1997

Peltomäki, Raili, secretary, Merita Bank Data, ADP Security Department,
16.10.1997

Saikkonen, Minna, secretary, Osuuspankkitarkastus (OKOBANK), 9.10.1997

REFERENCES

- Achrol, R.S. (1991): Evolution of Marketing Organisation: New Forms for Turbulent Environments. *Journal of Marketing*, 55 (October), pp. 77-93.
- Achrol, R.S. and Kotler, P. (1999): Marketing in the Network Economy. *Journal of Marketing*, Vol. 63 (Special Issue), pp. 146-163.
- Achrol, R.S., Reve, T. and Stern, L.W. (1983): The Environment of Marketing Channel Dyads: A Framework for Comparative Analysis. *Journal of Marketing*, Vol. 47 (Fall), pp. 55-67.
- Ahonen, P. (1993): Evaluation in Finland: There is More than Catches the Eye. Administrative Science 1993 C 6. Working papers. University of Tampere.
- Alajoutsijärvi, K. (1996): Rautainen Pari. Kymmenen ja Valmetin suhde, lähiverkosto ja makrovoimat 1948-1990. (A Dyad Made of Steel: Kymmene Corporation and Valmet Paper Machinery and Their Relationship, Local Network and Macro Environment 1948-1990). Dissertation. Jyväskylä: Jyväskylä University Printing House and Sisäsuomi Oy.
- Alajoutsijärvi, K. and Eriksson, P. (1998): In Search of Buyer-Seller Interaction: Context and Narratives as Keys for a More Complete Understanding. *Journal of International Selling and Sales Management*, Vol. 4, No.2, pp.89-107.
- Alajoutsijärvi, K., Klint, M., and Tikkanen, H. (1998): Balancing Business Cycles Trough Customer Relationship Strategies in the Paper Industry. In Halinen-Kaila, A. and Nummela, N. (eds.): *The proceedings of the 14th IMP Annual Conference*, Vol. 2, pp. 15- 33.
- Alajoutsijärvi, K. and Tikkanen, H. (1998): Competence Development Within Industrial Networks. *Journal of International Marketing and Marketing Research*, Vol.23, No.3, pp. 139-156.
- Alasuutari, P. (1994): Laadullinen tutkimus. Vastapaino. Tampere.
- Alderson, W. (1957): Marketing Behaviour and Executive Action. Homewood, Ill.: Richard D. Irwin.
- Alderson, W. (1965): Dynamic Marketing Behaviour. Homewood, Ill.: Richard D. Irwin.
- Alderson, W. and Martin, M. V. (1965): Toward a Formal Theory of Transactions and Transvections. *Journal of Marketing Research*, Vol. II (May), pp. 117-127.
- Al-Khalifa, A.K. and Peterson, S.E. (1999): The partner selection process in international joint ventures. *European Journal of Marketing*, Vol. 33, No. 11/12, pp. 1064-1081.
- Alvesson, M. and Sköldberg, K. (1994): Tolkning och reflektion. Vetenskapfilosofi och kvalitativ metod. Studentlitteratur. Lund.
- Andaleeb, S. S. and Basu, A. K. (1994): Technical Complexity and Consumer Knowledge as Moderators of Service Quality Evaluation in the Automobile Service Industry. *Journal of Retailing*, Vol. 70, No 4, pp. 367-381.

- Anderson, J.A. (1987): *Communication Research: Issues and Methods*. New York: McGraw-Hill.
- Anderson, J.A. and Meyer, T.P. (1988): *Mediated Communication: A Social Action Perspective*. Newbury Park, CA: Sage.
- Anderson, J.C., Håkansson, H. and Johanson, J. (1994): Dyadic Business Relationships Within a Business Network Context. *Journal of Marketing*, Vol. 58 (October 1994), pp. 1-15.
- Anderson, J.C. and Narus, J.A. (1984): A Model of the Distributor Firm and Manufacturer Firm Working Partnerships. *Journal of Marketing*, Vol. 48 (4), pp. 62-74.
- Anderson, J.C. and Narus, J.A. (1990): A Model of Distributor Firm and Manufacturer Firm Working Partnerships. *Journal of Marketing*, 54 (1990), pp.42-58.
- Anderson, E. and Weitz, B. (1989): Determinants of Continuity in Conventional Industrial Channel Dyads. *Marketing Science*, 8, (1989), pp. 310-323.
- Anderson, E. and Weitz, B. (1992): The Use of Pledges to Build and Sustain Commitment in Distribution Channels. *Journal of Marketing Research*, 29, H 1, pp. 18-34.
- Aristoteles (1994): Ensimmäinen Analytiikka. In Knuuttila, S., Niiniluoto, I. and Thesleff, H. (eds): *Aristoteles I*. Gaudeamus. Jyväskylä.
- Atkinson, M. (1984): *Our Masters' Voices: The language and body language of politics*. New York: Methuen & Co.
- Bagozzi, R. P. (1974): Marketing as Organised Behavioural System of Exchange. *Journal of Marketing*, Vol. 38 (October), pp. 77-81.
- Bagozzi, R. (1974a): What is a Marketing Relationship. *Der Markt*, Nr 51, Austria, pp. 64-69.
- Bagozzi, R. P. (1975): Marketing as Exchange. *Journal of Marketing*, Vol. 39 (October), pp. 32-39.
- Bagozzi, R. P. (1978): Marketing as Exchange: A Theory of Transactions in the Market Place. *American Behavioural Scientist*, 21, pp. 535-556.
- Bagozzi, R. (1979): Toward a Formal Theory of Marketing Exchanges. In O.C. Ferrell, S.W. Brown and C.W. Lamb, Jr. (eds.): *Conceptual and Theoretical Developments in Marketing*, Chicago: American Marketing Association, pp.431-447.
- Bannock, G., Baxter, R.E. and Davis, E. (1987): *The Penguin Dictionary of Economics*. Buncy: Richard Clay Ltd.
- Beach, L. R. (1990): *Image Theory: Decision Making in Personal and Organisational Contexts*. Chichester: Wiley.
- Beaumont, P.B. (1992): *Public Sector Industrial Relations*. Routledge, Chatham, Kent: Mackays of Chatham PLC.
- Becker, H.S. (1970): *Sociological Work: Method and Substance*. Chicago: Aldine.

- Becker, H.S. (1960): Notes on the Concept of Commitment. *American Journal of Sociology*, Vol.6, pp. 32-40.
- Bengtsson, M. and Kock, S. (1997): Co-opetitive Relationships in Business Network - to Co-operate and Compete Simultaneously. Work-in-progress. Presented at the 13th IMP Conference in Lyon, France , September 4.- 6.1997.
- Berry, L.M. (1981): Perspectives on the Retailing of Services. In Stampfl, R.W. and Hirschman, E.C. (eds.): *Theory in Retailing: Traditional and Non-traditional Sources*. Chicago: American Marketing Association, pp. 9-20.
- Berry, L.M. (1983): Relationship Marketing. In L. L. Berry, G. L. Shostack and G. D. Upah (eds.): *Emerging Perspectives on Services Marketing*. Chicago: American Marketing Association.
- Berry, L.L. and Parasumaran, A. (1991): *Marketing Services: Competing Through Quality*. New York: The Free Press.
- Bitner, M.J. (1990): Evaluating Service Encounters: The Effects of Physical Surroundings and Employee Responses. *Journal of Marketing*, Vol. 54, pp. 69-82.
- Bitner, M.J. (1992): Servicescapes: The Impact of Physical Surroundings and Employees. *Journal of Marketing*, Vol. 56 (April), pp. 57-71.
- Bitner, M.J., Booms, B.H. and Tetreault, M.S. (1990): The Service Encounter: Diagnosing Favourable and Unfavourable Incidents. *Journal of Marketing*, Vol. 54 (January), pp. 71-84.
- Blau, P.M. (1964): *Exchange and Power in Social Life*. New York: John Wiley & Sons.
- Blois, K.J. (1974): The marketing of Services: An Approach. *European Journal of Marketing*, Vol 8 (Summer), pp. 137-145.
- Blomqvist, K. (1995): The Concept of Trust: An Interdisciplinary Literature Review and Analysis. Lappeenranta University of Technology. Department of Business Administration. Research Report 2.
- Boddewyn, J.J. (1988): Political Aspects of MNE Theory. *Journal of International Business Studies*, Fall, pp. 341-363.
- Bonfantini, M.A. and Proni, G. (1983): To Guess or not to Guess. In Eco, U. and Sebeok, T.A. (eds.): *The Sign of Three: Dupin, Holmes, Peirce*. Bloomington: Indiana University.
- Bonoma, T.V., Bagozzi, R.P. and Zaltman, G. (1978): The Dyadic Paradigm with Specific Application Toward Individual Marketing. In T. Bonoma and G. Zaltman (eds.): *Organisational Buying Behaviour*. Chicago: Proceedings Series of the American Marketing Association, pp. 49-66.
- Brandenburger, A.M. and Nalebuff, B.J. (1996): *Co-opetition*. Boston, MA: Harvard Business School Press.
- Brock, T.C. (1965): Communicator-Recipient Similarity and Decision Change. *Journal of Personality and Social Psychology*, 1 (November), pp. 650-654.

Busch, P. and Wilson, D.T. (1976): An Experimental Analysis of a Salesman's Expert and Referent Bases of Social Power in the Buyer-Seller Dyad. *Journal of Marketing Research*, Vol. 13 (February), pp. 3-11.

Calonius, H. (1987): The Promise Concept. Swedish School of Economics and Business Administration. Helsinki.

Campbell, N.C.G. (1985): An Interaction Approach to Organisational Buying Behaviour. *Journal of Business Research*, Vol. 13, pp. 35-48.

Campbell, N.C.G., Graham, J.L., Jolibert, A. and Meisner, H.G. (1988): Marketing Negotiations in France, Germany, the United Kingdom and the United States. *Journal of Marketing*, Vol. 52, (2), pp. 49-62.

Cannon, J.P. and Perreault, W.D. (1996): Buyer-Seller Relationships in Business Markets. Working paper, CRM-WP-94-104. Center for Relationship Marketing. Goizueta School, Emory University, Atlanta, GA.

Cannon, J.P. and Perreault, W.D. Jr. (1999): Buyer-Seller Relationships in Business Markets. *Journal of Marketing Research*, Vol. XXXVI (November), pp. 439-460.

Cassirer, E. (1933): La Langage et la Construction du Monde des Objets. *Psychologie du Langage*, pp. 18-44.

Cassirer, E. (1972): An Essay On Man. New Haven: Yale University Press.

Cellich, C. (1990): Skills for Business Negotiations. *International Trade Forum*, Issue 4.

Cellich, C. (1996): Preparing for Your Business Negotiations. *International Trade Forum*, Issue 2.

Chisnall, P. M. (1975): MARKETING: A Behavioural Analysis. Maidenhead: McGraw-Hill Book Company (UK) Ltd.

Chomsky, N. (1968): Människan och språket. Stockholm: PAN/Nordstedts 1969.

Christopher, M., Payne, A. and Ballantyne, D. (1991): Relationship Marketing: Bringing Quality, Customer Service and Marketing Together. Oxford: Butterworth-Heinemann.

Coffey, A and Atkinson, P. (1996): Making Sense of Qualitative Data - Complementary Research Strategies. Thousand Oaks, CA: Sage Publications.

Coffin, R. (1973): The Negotiator. A Manual for Winners. Amacom.

Cook, K.S. and Emerson, R.M. (1978): Power, Equity and Commitment in Exchange Networks. *American Sociological Review*, 43 (October), pp. 721-739.

Crosby, L.A., Evans, K.R. and Cowles, D. (1990): Relationship Quality in Services Selling: An Interpersonal Influence Perspective. *Journal of Marketing*, Vol. 54 (July), pp. 68-81.

Crosby, L.A. and Stephens, N. (1987): Effects of Relationship Marketing on Satisfaction, Retention, and Prices in the Life Insurance Industry. *Journal of Marketing Research*, Vol. 24 (November), pp. 404-411.

- Cross, J.G. (1969): *The Economics of Bargaining*. New York.
- Cyert, R.M. and March, J.G. (1973): *A Behavioural Theory of the Firm*. Englewood Cliffs, New Jersey: Prentice Hall.
- Czepiel, J. (1990): Managing Relationship with Customer. In R.B. Bowen, T. Chase and T. Cunnings (eds.): *Service Management Effectiveness*, pp. 29-32 San Francisco.
- D'Aveni, R.A. (1994): *Hypercompetition*. New York: The Free Press.
- Dion, P., Easterling, D. and Miller S. J. (1995): What is Really Necessary in Successful Buyer/Seller Relationships? *Industrial Marketing Management*, 24, pp. 1-9.
- Dwyer, R.F. and Orville, C.W. Jr. (1981): Bargaining in an Asymmetrical Power Structure. *Journal of Marketing*, Vol. 45 (Winter), pp. 104-115.
- Dwyer, R.F., Schurr, P.H. and Oh, S. (1987): Developing Buyer- Seller Relationships. *Journal of Marketing*, Vol. 51, (April), pp. 11-27.
- Dwyer, R. F. and Walker, O.C. Jr. (1981): Bargaining in an Assymmetrical Power Structure. *Journal of Marketing*, Vol. 45 (Winter), pp. 104-115.
- Easton, G. and Ajauro, L. (1996): Characterizing Organizational Competences: An Industrial networks Application. In Sanchez, R., Heene, A. and Thomas, H. (eds.): *Dynamics of Competence-Based Competition. Theory and Practice in the New Strategic Management*. Elsevier Science. Oxford, pp. 209-225.
- Eco, U. (1979): *The Role of the Reader*. Bloomington. Indiana University Press.
- Eco, U. (1983): Horns, Hooves, Insteps: Some Hypotesis on Three Types of Abduction. In Eco, U. and Sebeok, T.A. (eds.): *The Sign of Three: Dupin, Holmes Peirce*. Bloomington: Indiana University Press.
- Eco, U. (1984): *Semiotics and the Philosophy of the Language*. The Macmillan Press Ltd. Scranton, Pennsylvania: The Haddon Craftsmen.
- Edvinsson, L. (1985): The Export Sales Life Cycle. In C. Grönroos and E. Gummesson (eds.): *Service Marketing - Nordic School Perspectives*. University of Stockholm, Department of Business Administration, Report No. 2-1985, pp. 131-139.
- Ekeh, P.P. (1974): *Social Exchange Theory: The two Traditions*, Cambridge, Mass.: Harvard University Press.
- Emerson, R.M. (1981): Social Exchange Theory. In M. Rosenberg and R. Turner (eds.): *Social Psychology: Social Perspectives*. New York: Basic Books, pp. 30-65.
- Evans, F.B. (1963): Selling as a Dyadic Relationship - A New Approach. *American Behavioural Scientist*, 6(9), pp. 76-79.
- Evans, F.B. (1964): *Dyadic Interaction in Selling - A New Approach*. University of Chicago, Unpublished Manuscript.
- Fast, J. (1981): *Ele on kieli*, Espoo: Weilin & Göös, (translated from *Body Language* 1970)

- Festinger, L. (1964): Behavioural Support for Opinion Change. *Public Opinion Quarterly*, Vol. 28 (Fall), pp. 404-417.
- Fetterman, D.M., Kaftarian, S.J., and Wandersman, A. (1996): Empowerment Evaluation: Knowledge and Tools for Self Assessment and Accountability. Thousand Oaks, CA: Sage.
- Fidel, R. (1984): The Case Study Method: A Case Study. In Glazier, J.D. and Powell, R.R. (eds.)(1992): *Qualitative Research in Information Management*. Englewood, Colorado: Libraries Unlimited, Inc., pp. 37-50.
- Flanagan, R.J. and Weber, A.R. (1974): *Bargaining without Boundaries*. USA: The University of Chicago Press, Ltd.
- Fleming, E.M. (1974): Artifact Study: A Proposed Model. *Winterthur Portfolio*, 9, pp.153-161.
- Ford, D (1978): Stability Factors in Industrial Marketing Channels. *Industrial Marketing Management*, 7, pp. 410-422.
- Ford, D. (1980): The Development of Buyer-Seller Relationships in Industrial Markets. *European Journal of Marketing*, No. 2, pp. 339-354.
- Ford, D. (1982): The Development of Buyer-Seller Relationships in Industrial Markets. In H. Håkansson (ed.): *International Marketing and Purchasing of Industrial Goods - An Interaction Approach*. Chichester: John Wiley & Sons, Ltd., pp. 288-303.
- Ford, D. and Rosson, P.J. (1982): The Relationships between Export Manufacturers and their Overseas Distributors. In M.R. Czinkota and G. Tesar (eds.): *Export Management: An International Context*. New York: Praeger, pp. 257-275.
- Forss, K. (1985): Planning and Evaluation in Aid Organisations. Dissertation. Stockholm School of Economics. Gotab, Stockholm.
- Frazier, G.L. (1983): Interorganizational Exchange Behaviour in Marketing Channels: A Broadened Perspective. *Journal of Marketing*, Vol. 47 (4), pp. 68-78.
- Frazier, G. L., Spekman, R.E. and O'Neal, C., Jr. (1988): Just-in-Time Exchange Relationships in Industrial Markets. *Journal of Marketing*, Vol. 52 (October), pp. 52-67.
- Frazier, G. L. and Antia, K. D. (1996): Exchange Relationships and Interfirm Power in Channels of Distribution. *Journal of the Academy of Marketing Science*, 24, pp. 321-326.
- French, J.R.P. and Raven, B. (1959): The Bases of Social Power. In D. Cartwright (ed.): *Studies in Social Power*. Ann Arbor: Institute of Social Research, pp. 150-167.
- Frohlich, N., Oppenheimer, J.A. and Young, O.R. (1971): *Political Leadership and Collective Goods*. Princeton. 15
- Fukuyama, F. (1995): *Trust*. New York: The Free Press.
- Gadde, LE. and Håkansson, H. (1992): Analysing Change and Stability in Distribution Channels - A Network Approach. In Axelsson, B. and Easton, G. (eds.): *Industrial Networks. A New Way of Reality*. Routledge. UK: Mackays of Chatman, pp. 166-179.

- Ganesan, S. (1993): Negotiation Strategies and the Nature of Channel Relationships. *Journal of Marketing Research*, Vol. XXX, (May), pp. 183-203.
- Ganesan, S. (1994): Determinants of Long-term Orientation in Buyer-Seller Relationships. *Journal of Marketing*, Vol. 58 (April), pp. 1-19.
- Goodwin, C.F. (1990): I Can Do It Myself: Training the Service Consumer to Contribute to Service Productivity. *Journal of Services Marketing*, Vol. 2 (Fall), pp. 71-78.
- Graham, J.L., Mintu, A.T., and Rogers, W. (1994): Exploration of Negotiation Behaviors in Ten Foreign Cultures Using a Model Developed in the United States. *Management Science*, Vol. 40, No.1, January.
- Granovetter, M. (1985): Economic Action and Social structure: The Problem of Embeddedness. *American Journal of Sociology*, 91 (November), pp. 481-510.
- Grant, R.M. (1990): The Resource-Based Theory of Competitive Advantage. *California Management Review*, Vol. 33, No.3, pp. 114-135.
- Gray, B. (1989): *Collaborating*. San Francisco, CA: Jossey-Bass.
- Gronhaug, K. (1976): Exploring Environmental influences in Organizational Buying Behavior. *Journal of Marketing Research*, Vol. XIII (August), pp. 225-229.
- Grönroos, C. (1980): Designing a Long Range Marketing Strategy for Services. *Long Range Planning*, Vol. 13 (2), pp. 36-42.
- Grönroos, C. (1981): Internal Marketing-An Integral Part of Marketing Theory. In J.H. Donnelly and W.R. George (eds.): *Marketing of Services*, Chicago, IL: American Marketing Association, pp. 236-238.
- Grönroos, C. (1982): Strategic Management and Marketing in the Service Sector. Swedish School of Economics and Business Administration, Research Reports No. 8-1982, Helsinki.
- Grönroos, C. (1991): The Marketing Strategy Continuum: Towards a Marketing Concept for 1990s. *Management Decision*, No 1, Vol.29, pp. 7-13.
- Grönroos, C. (1994): From Scientific Management to Service Management. *International Journal of Service Industry Management*, Vol. 5:1.
- Grönroos, C. (1997): Relationship Marketing: Interaction, Dialogue and Value. Working Papers 344. Swedish School of Economics and Business Administration. Helsinki.
- Guba, E. and Lincoln, Y. (1994): Competing Paradigms in Qualitative Research, In N.K. Denzin and Y.S. Lincoln (eds.): *Handbook of Qualitative Research*. Sage Publications.
- Guillet de Monthoux, P.B.L. (1975): Organisational Mating and Industrial Marketing Conservatism - Some Reasons Why Industrial Marketing Managers Resist Marketing Theory. *Industrial Marketing Management*, Vol. 4, pp. 25-36.
- Gummesson, E. (1979): Models of Professional Service Marketing. Marknadstekniskt Centrum, Report 11-1979. Stockholm.

Gummesson, E. (1991): Marketing Orientation Revisited: The Crucial Role of The Part-time Marketer. *European Journal of Marketing*, Vol. 25, No. 2.

Gummesson, E. (1995): Relationsmarknadsföring: Från 4P till 30R. Kristianstad: Liber-Hermods AB.

Gummesson, E. (1999): Total Relationship Marketing. Rethinking Marketing Management: From 4Ps till 30Rs. Oxford: Butterworth-Heinemann.

Gummesson, E. (2000): Qualitative Methods in Management Research. USA: Sage.

Gundlach, G.T., Anchrol, R.S. and Mentzer, J.T. (1995): The Structure of Commitment in Exchange. *Journal of Marketing*, Vol 59 (January), pp. 78-92.

Haahti, A. (1989): Entrepreneur's Strategic Orientation. Modelling Strategic Behavior in Small Industrial Owner-Managed Firms. Dissertation. Acta Academiae Oeconomicae Helsingiensis, Series A:64. The Helsinki School of Economics.

Halinen, A. (1994): Exchange Relationships in Professional Services: A Study of Relationship Development in the Advertising Sector. Publication of the Turku School of Economics and Business Administration. Series A-6:1994. Turku: Åbo Akademi Tryckeri.

Halinen, A. (1994a): Building Client Relationships in the Advertising Sector. Proceedings of the 2nd International Colloquium in Relationship Marketing. Granfield School of Management, Granfield University, 13 - 15 November.

Halinen, A. and Törnroos, J.-Å. (1995): The meaning of time in the study of buyer-seller relationships. In Möller, K.E. and Wilson, D.T. (eds.): *Business Marketing: An Interaction and Network Approach*. Boston: Kluwer Academic Publishers, pp. 493-529.

Halinen, A. and Törnroos, J.-Å. (1998): The Role of Embeddedness in the Evolution of Business Networks. *Scandinavian Journal of Management*, Vol. 14, No. 3, pp. 187-205

Hallén, L. (1992): Infrastructural Networks in International Business. In M. Forsgren and J. Johanson (eds.): *Managing Networks in International Business*. Philadelphia: Gordon and Breach, pp. 77-92: Reprinted in D. Ford (ed.) (1997): *Understanding Business Markets*. UK: The Dryden Press, pp. 214-226.

Hallén, L. and Johanson, J. (1985): Industrial marketing strategies in different national environments. *Journal of Business Research*, Vol. 13, pp. 495-509.

Hanson, N.R. (1958): Patterns of Discovery. An Inquiry into the Foundations of Science. Cambridge: Cambridge University Press.

Harsanyi, J.C. (1986): Rational Behaviour and Bargaining Equilibrium in Games and Social Situations. USA: Cambridge University Press.

Havila, V. (1996): International Business-Relationship Triads. A Study of the Changing Role of the Intermediating Actor. Dissertation. Doctoral Thesis No. 64. Department of Business Studies, Uppsala University.

Hedaa, L. and Törnroos, J.-Å. (1998): Events and Temporality in Business networks: A Conceptual Analysis. The proceedings of the 14th IMP Conference, Vol. 2, pp. 481-507.

- Heide, J.B and John, G. (1990): Alliances in Industrial Purchasing: the Determinants of Joint Action in Buyer-Supplier Relationships. *Journal of Marketing Research*, 27 (February), pp. 24-36.
- Heide, J.B. (1994): Interorganizational Governance in Marketing Channels. *Journal of Marketing*, 58, January, pp. 71-85.
- Herbig, P. and Gulbro, R. (1997): External Influences in the Cross-cultural Negotiation Process. *Industrial Management & Data Systems*, Vol. 97, Issue 3/4.
- Hirschman, E.C. (1986): Humanistic Inquiry in Marketing Research: Philosophy, Method, and Criteria. *Journal of Marketing Research*, Vol. 23, pp. 237-249.
- Holland, J. (1994): Bank Lending Relationships and the Complex nature of Bank-Corporate Relations. *Journal of Business Finance & Accounting*, 21(3), April, pp. 367-393.
- Holmlund, M. (1997): Perceived Quality in business Relationships. Dissertation. Publications of the Swedish School of Economics and Business Administration, No 66. Helsinki.
- Holmlund, M. and Strandvik, T. (1997): Perception Configurations in Business Relationships. Swedish School of Economics and Business Administration. Working Papers, no 347. Helsinki.
- Holmlund, M. and Törnroos, J-Å. (1997): What are relationships in business networks? *Management Decision*, Vol. 35 (4), pp. 304-309.
- Homans, G. (1961): Social Behavior: Its elementary Forms. New York: Harcourt.
- Houston, F.S., Gassenheimer, J.B. and Maskulka, J.M. (1992): Marketing Exchange Transactions and Relationships. Westport, CT: Quorum Books.
- Hovland, C.I., Janis, I.L. and Kelley, H.H. (1953): Communication and Persuasion. New Haven, Conn.: Yale University Press.
- Huemer, L. (1998): Trust in Business Relations. Economic Logic or Social Interaction? Boréa Bokförlag. Helsinki: WSOY.
- Hui, M.K. and Bateson, J.E.G. (1991): Perceived Control and the Effects of Music on High- and Low-Involvement Consumers' Processing of Ads. *Journal of Consumer Research*, Vol. 18 (September), pp. 174-184.
- Hunt, S.D and Morgan, R.M. (1995): The Comparative Advantage Theory of Competition. *Journal of Marketing*, Vol. 59 (April), pp.1-15.
- Hunt, S.D. and Morgan, R.M. (1995): The Comparative Advantage Theory of Competition. *Journal of Marketing*, Vol. 59 (April), pp. 1-15.
- Hunter, G. (1972): Transnational Industrial Relations. New York: Macmillan, pp. 21-50.
- Huston, T. L. and Burgess, L. (1979): "Social Exchange in Developing Relationships: An Overview. In R.L. Burgess and T.L. Huston (eds.): *Social Exchange in Developing Relationships*. New York: Academic Press, pp. 3-28.
- Håkansson, H. (ed.) (1982): International Marketing and Purchasing of Industrial Goods: An Interaction Approach. New York: John Wiley & Sons, Inc.

Håkansson, H. (ed.) (1989): *Corporate Technological Behaviour: Cooperation and Networks*. London: Routledge.

Håkansson, H. (1992): Evolution Processes in Industrial Networks. In Axelsson and Easton (eds.): *Industrial Network : A New View of Reality*. Mackays of Chatham, Kent. Routledge, pp. 129-143.

Håkansson, H. and Johanson, J. (1992): A model of Industrial Networks. In Axelsson and Easton (eds.): *Industrial Network : A New View of Reality*. Mackays of Chatham, Kent. Routledge, pp. 28-34.

Håkansson, H. and Snehota, I. (1995): Analysing Business Relationships. In Ford, D (ed.)(1997): *Understanding Business Markets: Interaction, Relationships and Networks*. The Dryden Press. Bridgend: WBC Book Manufacturers, pp. 151-175.

IMP Group (1982): An Interaction Approach by the IMP Group. In *International Marketing and Purchasing of Industrial Goods*, pp. 10-27. Reprinted in Ford, D. (ed.): *Understanding Business Markets: Interaction, Relationships and Networks*. The Dryden Press. Bridgend: WBC Book Manufacturers, pp. 3-22.

Jackson, B. (1985): Build Customer Relationships That Last. *Harvard Business Review*, November-December. pp. 120-128.

Jackson, B. (1985a): *Winning and Keeping Industrial Customers*. Lexington, MA: Lexington Books.

Jap, S.D. (1999): Pie-Expansion Efforts: Collaboration Processes in Buyer-Seller Relationships. *Journal of Marketing Research*, Vol. XXXVI (November), pp.461-475.

Johanson, J. and Mattsson, L. (1987): Interorganizational Relations in Industrial Systems - A Network Approach Compared with the Transaction Cost Approach. *International Studies of Management Organisation*, 17,1, pp. 34-48.

Johnson, R.A. (1993): *Negotiation Basics: Concepts, Skills and Exercises*. Sage Publications Inc.

Jüttner, U. and Wehrli, H.P. (1994): Relationship Marketing from a Value System Perspective. *International Journal of Service Industry Management*, Vol. 5, No. 5, pp. 54-73.

Järvelin, A-M (2000,forthcoming): Evaluation of Relationship Quality in Industrial Business Relationship. Dissertation. University of Tampere, School of Business Administration.

Järvelin, A.-M. and Mittilä, T. (1996): Do You See it my Way? - An Evaluation Perspective on Relationship Development. A paper presented in the IMP 12th International Conference, Karlsruhe, Germany.

Järvelin, A.-M. and Mittilä, T. (1998): Perceived Importance of Quality Dimensions in Business Relationships. In the Proceedings of the 14th IMP Conference, Vol. 3, pp. 19-38.

Järvelin, A.-M. and Mittilä, T. (1999): Collective Evaluation Process in Business relationships. A paper presented in the IMP 15th International Conference, Dublin, Ireland.

Järvinen, R. (1996): Service Marketing Channel Relationships: Bonds, Outcomes and Special Characteristics. University of Tampere, School of Business Administration. Series A1, Studies 44.

Järvinen, R. (1998): Service Channel Relationships: The Dyadic Relationships between Service Producers and Intermediaries. Dissertation. University of Tampere, School of Business Administration.

Järvinen, R. and Mittilä, T. (1995): Networks as Marketing Resources: A Role of an Independent Agent in a Distribution Network. A paper presented at the 11th IMP Conference. Manchester, England, September 7-9.

Kapoor, A., Hansen, S-O, and Davidson R.L. (1991): Negotiating Internationally: The Art of Networking. Recallmed Ltd., Hangon Kirjapaino, Hanko.

Kelley, H.H. and Thibault, J.W. (1978): Interpersonal Relations: A Theory of Interdependence. New York: John Wiley & Sons.

Kelley, S.W., Donnelly, J.H., Jr. and Skinner, S.J. (1990): Customer Participation in Service Production and Delivery. *Journal of Retailing*, Vol. 66 (Fall), pp. 315-335.

Kirk, J. and Miller, M. L. (1986): Reliability and Validity in Qualitative Research. Newbury Park, CA: Sage.

Kochan, T. A. and Katz, H. C. (1988): Collective Bargaining and Industrial Relations. Homewood, Ill.: Richard D. Irwin.

Kotler, P. (1972): A Generic Concept of Marketing. *Journal of Marketing*, Vol. 36 (April), pp. 46-54.

Kotsalo-Mustonen, A. (1995): Mystery of Success: An Analysis of System Sale as an Outcome of Industrial Buyer-Seller Interaction Process. Licentiate Thesis. Helsinki School of Economics and Business Administration. Publications B-151, Helsinki.

Kuokkanen, J. (1997): A Link between Consumer Dis/satisfaction and Postpurchase Word-of-Mouth Intentions: An Experimental Study. Dissertation. Publications of the Turku School of Economics and Business Administration, series A-6:1997. Turku.

Köhler, W. (1937): Psychological Remarks on Some Questions of Anthropology. *American Journal of Psychology*, Vol. I, pp. 271-278.

Larsson, R. and Bowen, D.E. (1989): Organization and Customer: Managing Design and Coordination of Services. *Academy of Management Review*, Vol. 14 (April), pp. 213-233.

Lehtinen, J.R. (1986): Palvelujen laatupainotteinen markkinointi. Espoo, Finland: Weilin & Göös.

Lehtinen, U. and Järvelin, A.-M. (1995): Formation of Relationship Quality. Unpublished Working paper.

- Lehtinen, U. and Järvinen, R. (1996): Electronizing Distribution Channels: The Change Process of Industrialization, Electrifying Channels and Renewing Organizations in the Service Sector. In Ropo, A., Eriksson, P. and Hunt, J. (eds.): *Global Perspectives on Processual Research on Management and Organization*. University of Tampere. School of Business Administration. Series C:6, pp. 95-115.
- Lehtinen, U., Hankimaa, A. and Mittilä, T. (1994): On Measuring the Intensity of Relationship Marketing. In J. N. Sheth and A. Parvatiyar (eds.): *Relationship Marketing: Theory, Methods and Applications*. Atlanta: Research Conference Proceedings.
- Lehtinen, U. and Mittilä, T. (1995): One More Time: A Conceptual Framework for Relationship Marketing. In Grant, K. and Walker, I. (eds.): *Proceedings of the World Marketing Congress*, Vol VII-I, pp. 35-42. Melbourne, Australia.
- Levinger, G. (1980): Toward the Analysis of Close Relations. *Journal of Experimental Social Psychology*, Vol. 16, pp. 510-544.
- Lévi-Strauss, C. (1967): *Strukturele Anthropologie*. Ulm, Ebner.
- Lévi-Strauss, C. (1969): *The Elementary Structures of Kinship*. Boston: Beacon Press.
- Lévi-Strauss, C. (1987): *Introduction to the Works of Marcel Mauss*, London: Routledge & Kegan Paul.
- Levy, M. J. Jr. (1966): *The Structure of Society*. Princeton University Press, 1952, Chap. 6: *Modernization and the Structure of Societies: A Setting for International Affairs*. Princeton University Press 1966, pp. 135-153.
- Lewicki, R.J. and Entwistle, T.W. (1990): Managing the Service Encounter: A Focus on the Employee. *International Journal of Service Industry Management*, vol. 1(3), pp. 41-52.
- Lewis, B.R. and Entwistle, T.W. (1990): Managing the Service Encounter: A Focus on the Employee. *International Journal of Service Industry Management*, Vol. 1 (3), pp. 41-52.
- Liljander, V. (1995): *Comparison Standards in Perceived Service Quality*. Dissertation. Swedish School of Economics and Business Administration, Helsinki.
- Liljander, V. and Strandvik, T. (1995): The Nature of Customer Relationships in Services. In T. Schwartz, D. Bowen and S. Brown (eds.): *Advances in Services Marketing and Management*. Vol. 4, London: JAI Press Inc., pp. 141-168.
- Liljegren, G. (1988): Interdependens och dynamik i långsiktiga kundrelationer. Industriell försäljning i ett nätverksperspektiv. Stockholm School of Economics. Stockholm.
- Lincoln, Y.S. and Guba, E.G. (1985): *Naturalistic Enquiry*. Sage Publications. London.
- Luce, R.D. and Raiffa, H. (1957): *Games and Decisions*. New York.
- Lukka, K. and Kasanen, E. (1993): Yleistettyäyden ongelma liiketataloustieteessä. *Liiketaloudellinen Aikakausikirja (The Finnish Journal of Business Economics)*, Vol. 41, pp. 348-379.
- Macauley, S. (1963): Noncontractual Relations in Business: A preliminary Study. *American Sociological Review*, Vol. 28, No.1 (February), pp. 55-68.

- Mathews, H.L., Wilson, D.T. and Monoky, J.F. (1972): Bargaining Behaviour in a Buyer-Seller Dyad. *Journal of Marketing Research*, 9 (February), pp. 103-105.
- McCracken, G. (1988): *The Long Interview*. Newbury Park, CA: Sage.
- McGrath, J.E. (1982): Dilemmatics: The Study of Research Choices and Dilemmas. In McGrath, J.E., Martin, J. and Kulka, R.A. (eds.): *Judgement Calls in Research*. Sage.
- McInnes, W. (1964): A Conceptual Approach to Marketing. In Cox, R., Alderson, W. and Shapiro, S.J. (eds.): *Theory in Marketing*. Homewood, Illinois: Richard D. Irwin, Inc., pp. 51-67.
- McNeil, I.R. (1980): *The New Social Contract: An Inquiry into Modern Contractual Relations*. Binghamton, NY: Yale University Press.
- Meyer, T.P. (1994): Tobacco Advertising on Trial: An Assessment of Recent Attempts to Reconstruct the Past and an Agenda to Improve the Quality of Evidence Presented. In R.A. Fullerton (ed.): *Research in Marketing*, Supplement 6. USA: JAI Press Inc., pp. 205-220.
- Michell, P. C. and Sanders, N. H. (1995): Loyalty in Agency-Client Relations: The Impact of the Organisational Context. *Journal of Advertising Research*, March/April, pp. 9-22.
- Mickwitz, G. (1959): *Marketing and Competition*. Helsinki: Societas Scientarium Fennica.
- Miettilä, A. and Möller, K. (1990): Interaction Perspective in Professional Business Services: A Conceptual Analysis in Marketing, Operations and Human Resource Insights into Services. Proceedings of the 1st International Research Seminar in Service Management, pp. 550-577. Aix-en-Provence.
- Miettilä, A. and Törnroos, J.-Å. (1993): The Meaning of Time in the Study of Industrial Buyer-Seller Relationships. Publications of the Turku School of Economics and Business Administration, Series Discussion and Working papers 4:1993, Turku.
- Mills, P.K. (1990): On the Quality of Services in Encounters: An Agency Perspective. *Journal of Business Research*, Vol. 20, pp.31-41.
- Mittilä, T. (1993): Suhdemarkkinointinäkemys tavaroita valmistaavien yritysten markkinoinnissa (Relationship Marketing View in the Marketing of the Producers of Goods). Masters' Thesis. University of Tampere, Finland.
- Mittilä T. (1995): On Exchange in Marketing. A paper presented at the 13th Standing Conference on Organizational Symbolism in Turku, Finland, 29.6.-1.7.1995.
- Moorman, C., Zaltman, G. and Desphande, R. (1992): Relationships Between Providers and Users of Market Research: The Dynamics of Trust Within and Between Organizations. *Journal of Marketing Research*, 29 (August), pp. 314-328.
- Morgan, R.M. and Hunt, S.D. (1994): The Commitment- Trust Theory of Relationship Marketing. *Journal of Marketing*, Vol. 58 (July 1994), pp. 20-38.
- Morris, M. H. and Holman, J. L. (1988): Source Loyalty in Organizational Markets - A Dyadic Perspective. *Journal of Business Research*, 16 (2), pp. 117-131.

- Morris, M. H., Brunyee, J. and Page, M. (1998): Relationship Marketing in Practice: Myths and Realities. *Industrial Marketing Management*, 27, pp. 357-371.
- Möller, K. (1993): Interorganizational Marketing Exchange: Metatheoretical Analysis of Current Research Approaches. Helsinki School of Economics and Business Administration. Working Papers W-41. Helsinki.
- Möller, K. and Wilson, D.T. (1988): Interaction Perspective in Business Marketing: An Exploratory Contingency Framework. Pennsylvania State University. Institute for the Study of Business Markets, Report 11-1988. Pennsylvania.
- Möller, K. and Wilson, D.T. (1995): Business Relationships - An Interaction Perspective. In K. Möller and D.T. Wilson (eds.): *Business Marketing: an Interaction and Network Perspective*. Boston/Dordrecht/London, pp. 23-52.
- Nash, J.F. (1953): Two-Person Cooperative Games. *Econometrica*, XXI, pp. 128-140.
- Narus, J. and Anderson, J. (1995): Using Teams to Manage Collaborative Relationships in Business Markets. *Journal of Business-to-Business Marketing*, Vol 2(3), pp. 17-46.
- Neumann von, J. and Morgenstern, O. (1944, 1947): Theory of Games and Economic Behaviour. Princeton.
- Nicholson, M.B. (1967): The Resolution of Conflict. In O.R. Young (ed.): *Bargaining: Formal Theories of Negotiation*. University of Illinois Press, USA.
- Nierenberg, G.I. (1968): The Art of Negotiating. USA: Hawthorn Books.
- Nierenberg, G.I. (1986): The Complete Negotiator. USA: Nierenberg & Zeif Publishers.
- Niiniluoto, J. (1980): Johdatus tieteenfilosofiaan. Käsitteen ja teorian muodostus. (Introduction to the Philosophy of Science. Developing Concepts and Theory). Keuruu.
- Nijssen, E.J., Douglas, S.P. and Calis, G. (1999): Gathering and using information for the selection of trading partners. *European Journal of Marketing*, Vol. 33, No. 1/2, pp. 146-162.
- Nilson, T.H. (1992): Value-Added Marketing: Marketing for Superior Results. London: McGraw-Hill.
- Nilstun, T., Gunnarsson, L., Hermeren, G. and Edlund, C. (1982): Utvärderingsforskning, Modellkonstruktion, Objektivitet och Tvärvetenskap. MURA-projektet, Rapport 3. Lund: Studentlitteratur.
- Nowak, L.I., Boughton, P.D. and Pereira, A.J.A. (1997): Relationships Between Businesses and Marketing Research Firms: Impact of Partnering on Performance. *Industrial Marketing Management*, 26, pp. 487-495.
- Norrman, R. (1998): Service Management. Strategy and Leadership in Service Business. 2nd edition. Bath: John Wiley & Sons.
- Oliver, R. L. and Swan, J. E. (1989): Consumer Perceptions of Interpersonal Equity and Satisfaction in Transactions: A Field Study Approach. *Journal of Marketing*, 53 (April), pp. 21-35.

- O'Malley, L. and Harris, L.C. (1999): The dynamics of the legal market: an interaction perspective. *European Journal of Marketing*, Vol. 33, No. 9/10, pp. 874-895.
- O'Shaughnessy, J. (1971/1972): Selling As an Interpersonal Influence Process. *Journal of Retailing*, 47 (4), pp. 32-46.
- Peirce, C.S. (1931-1958): *Collective Papers*. Cambridge: Harvard University Press.
- Pen, J. (1952): A General Theory of Bargaining. In Young, O.R. (ed.): *Bargaining: Formal Theories of Negotiation*. University of Illinois Press, USA.
- Pettigrew, A. and Whipp, R. (1991): *Managing Change for Competitive Success*. Cambridge, Mass: Basil Blackwell.
- Pettigrew, A., Ferlie, E. and McKee, L. (1992): *Shaping Strategic Change*. London: Sage.
- Pfeffer, J. and Salancik, G.R. (1978): *The External Control of Organisations: A Resource Dependence Perspective*. New York: Harper and Row.
- Porter, M. E. (1980): *Competitive Strategy: Techniques for Analysing Industries and Competitors*. New York: The Free Press.
- Porter, M. E. (1985): *Competitive Advantage: Creating and Sustaining Superior Performance*. New York: The Free Press.
- Porter, M. E. (1990): *The Competitive Advantage of Nations*. New York: The Macmillan Press.
- Prown, J. D. (1982): Mind in Matter: An Introduction to Material Culture Theory and Method. *Winterthur Portfolio*, 17, pp. 1-19.
- Rapoport, A. (1966): *Two-Person Game Theory*. Ann Arbor.
- Rapoport, A. and Chammach, A. (1965): *Prisoner's Dilemma*. Ann Arbor.
- Ravald, A. and Grönroos, C. (1996): The Value Concept and Relationship Marketing. *European Journal of Marketing*, Vol.30, No. 2, pp 19-30.
- Reichheld, F. F. (1996): *The Loyalty Effect: the Hidden Force Behind Growth, Profits, and Lasting Value*. Bain & Company Inc., Boston Mass.: Harvard Business School Press.
- Reichheld, F. and Sasser, W. E. Jr. (1990): Zero Defections: Quality Comes to Service. *Harvard Business Review*, September-October, pp.105-111.
- Ring, P. S. and Van de Ven, A. H. (1994): Developmental Processes of Cooperative Interorganizational Relationships. *Journal of Management Review*, Vol. 19. No. 1, pp. 90-118.
- Riordan, E. A., Oliver, R. L. and Donnelly, J. H. Jr. (1977): The Unsold Prospect: A Dyadic and Attitudinal Determinants. *Journal of Marketing Research*, Vol. XIV (November), pp. 530-537.
- Rosenbröijer, C.-J. (1998): *Capability Development in Business Networks: A Study of Distribution in the Fine Paper Sector in the United Kingdom*. Dissertation. Publications of the Swedish School of Economics and Business Administration, No. 69. Helsinki.

Rossi, P. H., Freeman, H. E., and Wright, S. R., (1979): *Evaluation: A Systematic Approach*. London-Beverly Hills: Sage.

Rosson, P.J. (1986): Time passages: The Changing Nature of Manufacturer - Overseas Distributor Relations in Exporting. *Industrial Marketing and Purchasing*, Vol. 1 (2), pp.48-64.

Rotter, J. B. (1967): A New Scale for the Measurement of Interpersonal Trust. *Journal of Personality*, 35 (4), pp. 651-665.

Rubin, J. Z. and Brown, B. R. (1975): *The Social Psychology of Bargaining and Negotiation*. New York: Academic Press, Inc.

Räsänen, H. (1994): *High-Tech Knowledge - Buying the Invisible. An Inquiry into Buying International Industrial, Complex, Knowledge-Intensive, High-Technology Systems Products*. Licentiate Thesis. Publications of the Turku School of Economics and Business Administration, series D-3:1994. Turku.

Salmi, A. (1995): *Institutionally Changing Business Networks. An Analysis of A Finnish Company's Operations in Exporting to the Soviet Union, Russia and the Baltic States*. Dissertation. Acta Universitatis Oeconomicae Helsingiensis, A-106. Helsinki School of Economics and Business Administration.

Salminen, R. (1997): *Role of References in International Industrial Marketing*. Dissertation. Research Papers 66, Lappeenranta University of Technology, Lappeenranta.

Salmond, D. (1994): Refining the Concept of Trust in Business to Business Relationship Theory, Research & Management. In J.N. Sheth and A. Parvatiyar (eds.): *Relationship Marketing: Theory, Methods and Applications*. Atlanta: Research Conference Proceedings.

Scanzoni, J. (1979): Social Exchange and Behavioural Interdependence. In R. L. Burgess and T. L. Huston (eds.): *Social Exchange in Developing Relationships*. New York: Academic Press, pp. 61-98.

Schelling, T. D. (1969): *The Strategy of Conflict*. Cambridge.

Schurr, P. H. and Ozanne, J. L. (1985): Influences on Exchange Processes: Buyers' Preconceptions of a Sellers' Trustworthiness and Bargaining Toughness. *Journal of Consumer Research*, 11 (March), pp. 939-953.

Sheth, J.N., Gardner, D.M. and Garrett, D.E. (1988): *Marketing Theory: Evolution and Evaluation*. New York: John Wiley & Sons, Inc.

Solomon, M. R., Surprenant, C., Czepiel, J. A. and Gutman, E. G. (1985): The Role Theory Perspective on Dyadic Interactions: The Service Encounter. *Journal of Marketing*, Vol. 49 (Winter), pp. 99-111.

Spekman, R. (1988): Strategic Supplier Selection: Understanding Long-term Buyer Relationships. *Business Horizons*, Vol. 31, No. 4 (July-August), pp. 75-81.

Stake, R.E. (1994): Case Studies. In Denzin, N.K. and Lincoln, Y.S. (eds.): *Handbook of Qualitative Research*. Sage Publications.

Stake, R.E. (1995): *The Art of Case Study Research*. USA: Sage Publications.

Stern, L. W. and Reve, T. (1980): Distribution Channels as Political Economies: A Framework for Comparative Analysis. *Journal of Marketing*, Vol. 44 (Summer), pp. 52-64.

Storbacka, K. (1994): The Nature of Customer Relationship Profitability: Analyses of Relationships and Customer Bases in Retail Banking. Dissertation. Swedish School of Economics and Business Administration, Helsinki.

Strandvik, T. (1994): Tolerance Zones in Perceived Service Quality. Dissertation. Swedish School of Economics and Business Administration, Helsinki.

Strandvik, T. and Törnroos, J-Å. (1997): Discovering Relationscapes. Extending the Horizon of Relationship Strategies in Marketing. In *Proceedings of AMA Conference*. Dublin, June 1997, pp. 381-393.

Strauss, A. and Corbin, J. (1990): Basics of Qualitative Research. Grounded Theory Procedures and Techniques. Newbury Park, CA: Sage Publications.

Stump, R. L. (1994): Using Tie Strengths as an Indicator of Buyer-Supplier Closeness: Theoretical and Empirical Bases. In J. N. Sheth and A. Parvatiyar (eds.): *Relationship Marketing: Theory, Methods and Applications*. Atlanta: Research Conference Proceedings.

Ståhl, I. (1972): Bargaining Theory. Dissertation. The Economic Research Institute at the Stockholm School of Economics, Stockholm.

Suprenant, C.F. and Solomon, M.R. (1987): Predictability and Personalization in the Service Encounter. *Journal of Marketing*, Vol. 51 (April), pp. 86-96.

Szmigin, Isabelle T. D. (1993): Managing Quality in Business-to-Business Services. *European Journal of Marketing*, Vol. 27 (1), pp. 5-21.

Thagard, P.R. (1978): Semiotic and Hypothetic Inference in C. S. Peirce. VS 19-20.

Thibault, J. W. and Kelley, H. (1959): The Social Psychology of Groups. New York: John Wiley & Sons, Inc.

Tikkanen, I. (1994): Competitive Behaviour of A Firm. Dissertation. Acta Universitatis Oeconomicae Helsingiensis, A-99. Helsinki School of Economics and Business Administration.

Tosi, H. L. (1966): The Effects of Expectation Levels and Role Concensus on the Buyer-Seller Dyad. *Journal of Business*, 39 (October), pp. 516-529.

Trigg, R. (1985): Understanding Social Science. Padstow, Cornwall: Basil Blackwell Inc.

Tähtinen, J. (1999): The Existence and the Dissolution of a Business Relationship in Tailored Software Business. A Theoretical Framework. University of Oulu, Department of Economics. Research Reports N:0 9. Oulu University Press.

Venetis, K. and Kasper, H. D. P. (1996): Service Quality Dimensions of Professional Business Services. In Edvardsson, B., Brown, S.V, Johnston R. and Scheuing, E.E (eds.): *Advancing Service Quality: a Global Perspective*. NY: ISQA, pp. 87-97.

Vidich, A. J. and Bensman, J. (1954): The Validity of Field Data. *Human Organization*, 13 (1), pp. 20-27.

Vuorinen, P. (1989): Verkostotalous ja modernien yritysten toimintaympäristöt. In Eskelinen, H. and Virkkala, S (eds.): Taloden verkostot ja alueellinen muutos. Joensuun yliopisto. Karjalan tutkimuslaitoksen monisteita 4/1989, pp. 17-41.

Wackman, D.B., Salmon C.T. and Salmon C.C. (1986/1987), "Developing an Advertising Agency-Client Relationship", *Journal of Advertising Research*, 26(6), 21-18.

Wallendorf, M. and Belk, R.W. (1989): Assessing Trustworthiness in Naturalistic Consumer Research. *Interpretive Consumer Research*. Association for Consumer Research, pp. 69-84.

Walton, R. E. and McKersie, R. B. (1965): A Behavioural Theory of Labour Negotiations. New York: McGraw-Hill. The Quotation is from Beaumont 1992, pp. 116.

Webster, F. E. Jr. and Wind, Y. (1972): A General Model of Understanding Organisational Buying Behavior. *Journal of Marketing*, 36, pp. 12-19.

Webster, F. E. Jr. (1992): The Changing Role of Marketing in The Corporation. *Journal of Marketing*, Vol. 56, (October).

Weiss, C. H. (1972): Evaluation Research. Englewood Cliffs, N.J.: Prentice-Hall.

Wholey, J. S. (1979): Evaluation: Promise and Performance. Washington D.C.: Urban Institute.

Wilkinson, I. and Young, L. (1994): Business Dancing - The Nature and Role of Interfirm Relations in Business Strategy. *Anglo-Australian Marketing Journal*, 2 (1), pp. 67-69. Reprinted in D. Ford, (ed.) (1997): *Understanding Business Markets*. Bridgent, UK: The Dryden Press, pp. 82-97.

Williamson, O.E. (1981): The Economics of Organization: The Transaction Cost Approach. *American Journal of Sociology*, Vol. 87, no.3, pp. 548-577.

Williamson, O.E. (1985): The Economic Institutions of Capitalism. New York: The Free Press.

Wilson, D. T. and Mummalaneni, V. (1986): Bonding and Commitment in Buyer-Seller Relationships: A Preliminary Conceptualisation. *Industrial Marketing and Purchasing*, 1 (3), pp. 44-58.

Wilson, D. T. and Mummalaneni, V. (1988): Modeling and Measuring Buyer-Seller Relationships. Institute for the Study of Business Markets, Report No. 3-1988. Pennsylvania, Pennsylvania State University.

Wilson, D.T. and Möller, K. (1995), Dynamics of Relationship Development. In Möller-Wilson (eds.), *Business Marketing: an Interaction and Network Perspective*. Boston/Dordrecht/London, 53-69.

Woodside, A. G. and Davenport, J. W. Jr. (1974): The Effect of Salesman Similarity and Expertise on Consumer Purchasing. *Journal of Marketing Research*, Vol. 11 (May), pp. 198-202.

Yin, R. K. (1989): Case Study Research, Design and Methods. USA .

Yorke, D. (1990), Developing Interactive Approach to the Marketing of Professional services. In Ford, D. (ed.), *Understanding Business Markets. Interactions, Relationships, Networks*. Academic Press. London. 347-358.

Young, O. R. (1975): *Bargaining. Formal Theories of Negotiation*. USA: University of Illinois Press.

Young, L.C. (1996): Can we Trust on our Measures of Trust? A paper presented at the 12th IMP Conference, Karlsruhe, Germany.

Zeithaml, V. A. (1981): How Consumer Evaluation Processes Differ Between Goods and Services. In J.H. Donnelly and W.R. George (eds.): *Marketing of Services*. Chicago, IL: American Marketing Association, pp. 186-190.

Company specific references:

Perttu, R. (1995): *Millilleen tarkasti*. Instrumentointi Oy, Tampere.
Oy Esso Ab Annual Report 1996
Instrumentointi Oy Annual Report 1995
Instrumentointi Oy Annual Report 1996
Neste Annual Report 1996
Teboil Annual Report 1996
Reports of Metsä-Serla and Metsäliitto

INDEX

- Abductive logic; 20, 22, 28, 33, 159, 165
- Achrol; 89, 143
- Activities; 34, 49, 77, 81ff, 131, 133, 134, 154, 161
 - Bargaining activities; 131, 136
 - Customer activities; 49, 84, 160
 - In the focal relationships; 34, 49ff
 - Marketing activities; 49, 84, 160
 - Mutual activities; 49, 84, 160
 - Operational activities; 49, 84, 160
 - Supplier activities; 49, 84, 160
- Actors; 34, 58, 84, 134 ff, 148 ff 159, 163
 - Arbitrary actors; 144
 - Bargaining actors; 122
 - Human actors; 144
 - In the focal relationships; 34ff
 - Organisational actors 29, 83
 - Social actors; 147
- Air Patrol Squadron; 35, 36, 77, 80, 81, 94, 96, 105, 106, 109, 114, 126, 155, 156, 199, 207
- Ajauro; 35
- Alajoutsijärvi; 74, 89, 90, 92, 155, 159
- Alderson; 12, 34, 56, 58, 59, 73, 74, 75, 120, 121, 123, 138, 162
- Al-Khalifa; 102
- Anchrol; 58
- Andaleeb; 102
- Anderson; 34, 56, 75, 89, 90, 137, 148, 153
- Anglo-Australian approach; 15
- Antia; 153
- ARA model; 17, 34, 52, 73, 84, 133, 159
- Aristotle; 20
- ATC model; 17, 47, 55, 71, 85, 133, 159
- Atkinson; 19, 22, 25, 165
- Atmosphere; 13, 14, 72
- Attraction; 29, 55, 58, 60, 67, 85, 86, 112, 133, 137, 145, 146, 154, 160, 161, 166
 - Collective level attraction; 56, 59
 - Individual level attraction; 56, 59
 - Inter-firm attraction; 56
 - Interpersonal attraction; 55
 - Personal attraction; 59
 - As a social resource; 67
 - In the focal relationships; 59ff
 - Levels of; 71, 85, 160
- Avionics Division; 23, 27, 35, 97, 166, 170, 181, 204 ff
- Bagozzi; 12, 16, 138, 139, 141, 144, 146, 147, 148, 150, 162
- Ballantyne; 15
- Bargain; 58
- Bargaining; 17, 32, 54, 84, 87, 93, 108, 118ff, 133, 134, 145, 160, 161, 163
 - Attitudinal structuring; 124, 127
 - Bargaining actors; 122,
 - Bargaining activities; 131, 136
 - Bargaining context; 125
 - Bargaining outcomes; 122
 - Bargaining process; 121, 122
 - Bargaining relationships; 121
 - Bargaining structure; 122
 - Collective bargaining; 87, 122, 135, 166
 - Commercial bargaining; 17, 122, 125, 136
 - Commercial bargaining process; 87, 93, 121, 128, 134, 135, 161
 - Definitions of; 120
 - Distributive bargaining; 124, 127
 - Dyadic business bargaining; 161
 - Embedded bargaining processes; 136
 - Functional; 125
 - Individual level; 133
 - Integrative bargaining; 124, 127
 - In the focal relationships; 125ff
 - Inter-organisational; 127
 - Intra-organisational; 124, 127, 130, 135
 - Levels of; 122, 123, 135
 - Model of dyadic business bargaining; 122
 - Operational; 125, 130
 - Outcome of the bargaining process; 122, 130, 134
 - Scope of bargaining; 125, 129, 135
 - Structure; 121, 122, 126
 - Sub-processes of bargaining; 124
 - Technical; 125
 - Time aspect; 126
- Basic values; 134
- Basu; 102
- Bateson; 15
- Beaumont; 94, 119
- Becker; 22
- Belk; 101, 164
- Berry; 15
- Bistomer; 39, 52, 79, 81, 113, 118, 127, 159
- Blois; 14
- Boddeyn; 146
- Bonoma; 16, 21
- Brandenburger; 75

Brown; 121
 Burges; 145
 Business; 12, 14
 Business possibilities; 53
 Business relations; 17, 72, 152, 160
 Business relationships; 16, 17, 20, 21, 27, 28, 34, 53, 57, 65, 74, 76, 85, 118, 144, 147, 150, 152, 154, 163
 Business-to-business relationships; 12, 16
 Buyer-seller relationships; 13, 14, 22, 58, 91, 147
 Calis; 102
 Campbell; 137
 Cannon; 153
 Case; 16, 21, 25, 32
 Case analysis; 2, 84
 Case company; 22, 23, 25, 169ff
 Case study approach; 22
 Data processing; 28
 Embedded single case study; 16, 22
 Holistic case-study; 22
 Instrumental case-study; 22
 Quality of a case study; 164
 Research design; 17
 Selecting the Case; 22
 Collaboration; 12, 17, 29, 73, 77, 79ff, 82, 85, 86, 98, 125, 129, 133, 135, 148, 152, 155, 156, 161
 levels of; 81
 Collaborative interaction; 156, 158
 Christopher; 15
 Coffey; 19, 22, 25, 165
 Commitment; 15, 29, 45, 48, 52, 55, 57ff, 60, 78, 85, 86, 112, 113, 133, 137, 145, 146, 157, 160, 161, 166
 Attitudinal; 57
 Behavioural; 57
 Concept of commitment; 58
 In the focal relationships; 67
 Levels of; 71, 85, 160
 Mutual; 58
 Organisational; 67, 85, 160
 Personal; 67, 85
 Role; 67, 85
 Communication; 138, 160
 Competition; 17, 29, 42, 53, 54, 55, 73, 77, 81, 82, 86, 94, 133, 155, 161
 Hyper-competition; 73
 In the focal relationships; 81
 Levels of; 74, 85
 Complete marketing equilibrium; 29
 Complex exchange; 141
 Conformability; 56
 Consumer relationships; 16
 Context; 16, 22, 25, 32, 34, 53, 54, 55, 57, 76, 84, 85, 87 ff, 124, 132, 134, 136, 156, 161, 165
 Contextuality; 17, 87, 88, 134, 161
 Dynamics of the context; 156
 Ecological; 97
 Economic context; 98
 Empirical context of the study; 33
 Environment; 13, 15, 32, 74, 89, 146
 External; 29, 73, 83, 89
 Industry; 89
 Inner; 89
 Internal; 29, 73, 83
 Interview; 25
 Network; 76, 90
 Of phenomena; 22
 Organisational; 93
 Outer; 89
 Political; 96
 Private sector; 96, 166
 Private-sector network; 156
 Public sector; 74, 96, 166
 Social; 95
 Spatial; 94, 96
 Temporal; 98
 Co-opetition; 75, 82
 Corbin; 164
 Czepiel; 14
 Data collecting; 25
 Data processing; 28, 162
 D'Aveni; 73
 Deductive; 20
 Defence Forces; 127
 Dependence; 14, 42, 45, 47, 52, 60, 72, 78, 80ff, 85, 94, 109, 112, 113, 160, 166
 organisational; 137
 Desphande; 56
 Development; 55, 60, 63, 155, 158
 Development of a relationship; 137
 Development of interpersonal relationships; 145, 154
 Development of the inter-organisational relation.; 154
 Distrust; 65
 Douglas; 102
 Dwyer; 56, 57, 120, 121, 137, 148
 Dyad; 16, 89, 52, 103, 149
 Channel dyad; 148
 Dyadic business bargaining; 17, 134, 161
 Dyadic relations; 156
 Dyadic relationships; 52
 Dynamics
 Dynamics of the context; 156

Dynamics of context, evaluation, and bargaining; 131
 Easton; 35
 Eco; 20
 Edlund; 101
 Elements of relationship; 156
 Episode; 13, 15, 103, 101 137, 153
 Eriksson; 89, 92
 Esso; 27, 35, 36, 49, 51, 78, 79, 81, 93, 96, 97, 105, 106, 112, 113, 116, 118, 125, 126, 127, 130, 156, 201, 218ff
 Evaluation; 14, 17, 28, 32, 44, 48, 49, 50, 51, 54, 55, 77, 82, 84, 87, 98, 101 ff, 130ff, 160, 161, 163, 166
 Analysing; 103
 Collective; 166
 Collective evaluation process; 132
 Definition of; 101
 Evaluation perspective; 153, 158
 Evaluation synchrony; 134
 Individual; 166
 Initial; 145
 Inter-organisational; 132
 Intra-organisational; 132
 Levels of; 134, 136
 Multidimensional; 17, 87, 134
 Outcomes; 108
 Evaluation perspective; 106, 153, 158
 Processes; 14
 Synchronising processes; 136
 Objects in the focal relationships; 106
 Evaluation of contextual factors' impact on the focal relationship; 114
 Evaluation synchrony; 103, 134
 Evaluation synchrony in the focal relationships; 108
 Evans; 103
 Exchange; 13, 16, 137ff, 156, 161
 Economic exchange; 16, 152
 Financial exchange; 13
 Generalised exchange; 141
 Relational exchange; 28
 Exchange behaviour; 138
 Exchange network; 152
 Exchange rates; 14
 Exchange relationships; 12, 14, 29, 55, 142, 148
 Law of exchange; 138
 Meaning of exchange; 142
 Media of exchange; 139
 Symbolic exchange; 142
 Utilitarian exchange; 142, 152
 Ferlie; 89
 Festinger; 57
 Finnair; 27, 35, 48, 50, 79, 81, 95, 96, 105, 109, 114, 125, 126, 154, 155, 156, 198, 204ff
 Finnish Air Forces; 79, 94
 Finnish Defence Forces; 26, 97
 Fleming; 28
 Ford; 13, 104, 149
 Frazier; 148, 153
 Frohlich; 150
 Gadde; 34
 Ganesan; 121
 Gardner; 76
 Garrett; 76
 Gassenheimer; 149
 Grönroos; 14, 102
 Guba; 162, 164
 Gulpro; 120
 Gummesson; 14, 15, 16, 17, 25, 29, 34, 73, 77, 82, 85, 90, 133, 146, 149, 150, 152, 154, 159, 164, 165
 Gundlach; 58
 Gunnarsson; 101
 Gutman; 14
 Halinen; 17, 29, 55, 58, 71, 76, 85, 90, 91, 98, 102, 133, 137, 148, 149, 155, 159
 Hallén; 146, 154
 Hedaa; 101
 Heide; 148
 Herbig; 120
 Hermeren; 101
 Hirschman; 164
 Holland; 126
 Holmlund; 87, 101, 102, 103, 106, 159
 Homans; 102
 Houston; 149
 Huberman; 162
 Hui; 15
 Hunt; 19, 58, 73, 74, 137, 140
 Huston; 145
 Hyper-competition; 73
 Håkansson; 13, 14, 34, 35, 52, 55, 72, 89, 137, 142, 149
 Imaginary organisation; 163
 Immediate network; 143
 IMP approach; 15, 17, 87, 101, 162
 IMP Group; 13, 14, 15, 54, 84, 133, 157, 159
 Individual; 12, 57, 59
 Individual actors; 34
 Individual evaluation; 132, 136, 166
 Individual level bargaining; 133
 Individual relationships; 93
 Inductive; 20
 Industry context; 89, 94

Information exchange; 13
 Infrastructural networks; 143, 146
 Infrastructural relations; 95
 Infrastructural relationships; 46, 154
 Installation Division; 23, 27, 35, 80, 97, 133, 184, 209ff
 Institutions; 17, 29, 73, 77, 82, 86, 94, 133, 161
 In the focal relationships; 77ff
 Instrumentointi Oy; 23, 26, 39, 169ff
 Integrative bargaining; 124, 127
 Interaction; 12, 13, 14, 15, 16, 19, 32, 35, 36, 53, 55, 84, 137ff, 143, 151, 156, 157, 159, 161
 In interviews; 32
 Inter-organisational; 16
 Intra-organisational; 16
 Interaction approach; 13, 14, 75
 Interaction Model; 13, 72
 Interaction process; 13, 14
 Intercommunication; 54, 56, 59, 72, 85, 87, 89, 98, 103, 105, 127, 130, 131, 136, 151, 153, 158, 160, 161, 163
 Inter-firm relationships; 56, 75
 Internal customer relationships; 154
 Internal marketing; 15
 Inter-organisational evaluations; 132
 Inter-organisational relationships; 83, 137, 149, 154
 Interpersonal relationships; 154
 Interview; 25 ff, 28, 29, 32, 33
 Intra-organisational bargaining; 124, 127, 130, 135
 Intra-organisational collaboration; 156
 Intra-organisational relationships; 32, 83, 150
 Intra-relational management; 163
 Jackson; 14
 Johanson; 34, 89, 149
 John; 148
 Järvelin; 87, 101, 102, 103, 104, 107, 132, 159
 Järvinen; 105, 149, 155, 159
 Kasanen; 163
 Kasper; 102
 Katz; 122, 124
 Kelley; 56, 102, 137
 Kirk; 163
 KMV (key mediating variable) model; 58
 Kochan; 122, 124
 Kotler; 139, 143
 Kotsalo-Mustonen; 101
 Kyro; 27, 35, 36, 47, 68, 81, 93, 98, 105, 109, 126, 155, 156, 199, 212ff
 Layered networks; 143
 Lehtinen; 22, 29, 55, 57, 58, 102, 137
 Lévi-Strauss; 138, 140
 Levy; 144
 Likert scale; 28
 Liljander; 137, 148, 153
 Lincoln; 162, 164
 Long-term relationships; 147
 Macaulay; 76
 Macneil; 148
 Many-headed customer; 73
 Many-headed supplier; 73
 Market exchange relationship; 148
 Market relation; 150, 152
 Market relationships; 146, 149, 150
 Marketing Equilibrium; 29, 73
 Marketing Equilibrium model; 17, 29, 47, 73ff, 82, 85, 133, 159
 Marketing relationships; 12, 146
 Maskulka; 149
 McCracken; 26
 McGrath; 165
 McInnes; 144, 150
 McKee; 89
 McKersie; 124, 127
 Meanings of exchange; 142
 Media of exchange; 139
 Mega relations; 152
 Mega relationships; 90, 146, 150
 Mentzer; 58
 Merita; 35, 36, 39, 68, 69, 97, 105, 113, 126, 155, 156, 203, 232ff
 Metsäliitto; 27
 Metsä-Serla; 27, 35, 199,
 Meyer; 26
 Mietttilä; 55, 91
 Miles; 162
 Miller; 163
 Ministry of the Interior; 106
 Mittilä; 55, 58, 103, 132, 137, 140
 Mixed exchange; 142
 Model of dyadic business bargaining; 122
 Model of multidimensional evaluation; 104
 Monostasy; 56
 Moorman; 56
 Morgan; 58, 73, 74, 137, 140
 Morris; 153
 Mummalaneni; 57, 63, 137, 149, 155
 Möller; 12, 14, 55, 75, 137, 149
 Nalebuff; 75
 Nano relations.; 152
 Nano relationships.; 90, 150, 154
 Narus; 56, 75, 137, 148, 153

National Bureau of Investigation; 35, 36, 77, 79, 80, 93, 94, 95, 96, 105, 109, 116, 126, 133, 155, 156, 199, 208
 National networks; 143
 Negotiation; 36, 49, 56, 58, 84, 8, 118, 123ff, 135, 160, 166
 Negotiation level; 93
 Negotiation process; 121
 Outcomes of negotiations; 135
 Neste Engineering; 35, 27, 36, 48, 78, 79, 81, 95, 97, 98, 105, 112, 116, 126, 127, 154, 156, 200, 215ff
 Network; 12, 15, 34, 46, 53, 57, 89, 90, 142, 149, 156, 159, 161
 Focal network; 143, 152
 Global networks; 143
 Infrastructural contact networks; 146
 Intermarket networks; 143

 Internal market networks; 143
 Internal networks; 143
 International networks; 143
 Inter-organisational networks; 143
 Intra-network; 150
 Intra-organisational networks; 143
 Intra-relational network; 143, 150, 162
 Network context; 76
 Network organisations; 148
 Network relationships; 143
 Opportunity networks; 143
 Personal networks; 154
 Social network; 154
 Network Approach; 14
 Nicholson; 120, 121
 Nierenberg; 120
 Nijssen; 102
 Nilstun; 101
 Non-market relationships; 146, 154
 Nordic School approach; 15
 Normann; 14
 Oh; 56, 120, 121
 OKO; 36, 39, 69, 98, 105, 114, 118, 126, 156, 203, 232ff
 Oliver; 102
 Olson; 19
 O'Neal; 148
 Operational activities; 49, 54
 Operational bargaining; 125, 130
 Oppenheimer; 150
 Organisation; 137
 Imaginary; 163
 Network organisations; 148
 Private sector; 94
 Public sector; 94, 96, 129

 Vertical integrations; 148
 Virtual; 150, 163
 Organisation's relational resources at an individual level; 46
 Outcome of the bargaining process; 134, 135
 Outcomes of the evaluations; 108
 Outcomes of the negotiations; 135
 Payne; 15
 Perreault; 153
 Peter; 19
 Peterson; 102
 Pettigrew; 89
 Pfeffer; 72, 137
 Police School; 35, 39, 47, 48, 69, 78, 79, 81, 93, 94, 96, 105, 106, 113, 126, 127, 130, 155, 156, 202, 230ff
 Porter; 74
 Private sector; 96, 166
 Process; 14, 16, 22
 Bargaining process; 121, 122
 Commercial bargaining process; 87, 93, 121, 128, 134, 135, 161
 Data analysis process; 29
 Evaluation process; 14
 Exchange; 13
 Interaction; 13, 16
 Negotiation process; 121
 Reporting process; 28
 Research process; 26, 161
 Synchronising processes; 136
 Public sector; 74, 94, 96
 Qualitative research; 162, 64, 165
 Quality of a case study; 164
 Quantitative; 33
 Quantitative data; 162
 Quantitative measures; 27
 Regulations; 14, 17, 29, 73, 77, 82, 85, 86, 94, 133, 161
 In the focal relationships; 77ff
 Relation; 12, 17, 56, 75, 95, 150, 157, 161
 Business relation; 17, 160
 Collective relation; 12, 156
 Concept of relation; 32
 Definition of a business relation; 152
 Development of supplier-customer relations; 155, 158
 Development of the inter-organisational relation; 154
 Employee relation; 157
 Financier relations; 156, 157
 Industrial business relations; 159
 Infrastructural; 95
 Levels of business relation; 154, 158

Levels of development; 155
 Market relation; 150
 Portfolio; 93, 153, 158
 Organisational relations; 154
 Personal relations; 95, 155, 157
 Relation continuum; 153, 158
 Role relations; 154
 Social relations; 155
 Socio-economic; 157
 Supplier-customer; 92, 159, 166
 Relation Trine model; 17, 32, 87, 88, 134, 137, 161, 166
 Relational exchange relationship; 148
 Relational resources; 41, 48, 53
 Relationship; 12, 13, 14, 15, 16, 17, 25, 31, 32, 150, 156, 157, 161
 Business relationship; 17, 21, 27, 28, 34, 53, 57, 74, 76, 88, 118, 144, 154, 163
 Business-to-business relationships; 12, 16, 159
 Buyer-seller; 13, 14, 22, 58, 91, 147
 Channel relationships; 57
 Collective; 12
 Company level; 22
 Concept of relationship; 14, 16, 32, 137, 161
 Consumer relationships; 16
 Development; 55, 60, 112, 137, 155
 Development of interpersonal relationships; 145, 154
 Dyadic relationships; 52
 Dynamics; 57
 Exchange relationships; 12, 14, 29, 55
 Financier relationships; 154, 166, 178
 Firm specific relationships; 150
 Focal relationships; 154
 Human relationships; 163
 Individual; 93
 Industrial relationships; 52
 Infrastructural relationships; 46, 154
 Inter-firm relationships; 75
 Internal customer relationships; 154
 Inter-organisational; 52, 86, 137, 149, 154, 163
 Intra-network.; 150
 Intra-organisational; 32, 52, 83, 163
 Intra-relational network; 150
 Invisible; 149
 Levels; 36, 149, 154
 Long-term relationships; 147
 Market relationships; 90, 146, 149, 150
 Market exchange relationship; 148
 Marketing relationships; 12, 146
 Mega relationships; 90, 146, 150
 Nano relationships; 90, 150, 154
 Non-market relationships; 154
 Null relationships; 149
 Potential; 149
 Organisational; 83
 Personal relationships; 55, 93, 118
 Relational exchange relationship; 148
 Role relationships; 13
 Social relationships; 144
 Supplier-customer; 16, 21, 22, 101, 119, 122, 134, 135, 137, 159
 Transactional relationships; 28
 Triadic; 89
 Types of 153
 Activities in the Focal Relationships; 49ff
 Relationship context; 83
 Relationship marketing; 13, 14, 15, 23, 28, 29, 54, 157
 Relationship marketing approach; 15, 16, 75, 87, 101
 Relationship marketing theory; 162
 Reliability; 165
 Report; 162, 165
 Repulsion; 56, 58
 Reputation resources; 35
 Research; 12, 13, 14, 15, 16, 17, 19, 20, 21, 22, 137, 156
 Abductive; 20, 22, 28, 33, 159, 165
 Context; 161
 Deductive; 20
 Inductive; 20
 Qualitative; 33
 Science; 19
 Scientific research; 19
 Research design; 17, 19, 162, 166
 Research process; 25, 28, 161
 Resource; 34, 40, 84, 86, 87, 133, 154, 159, 161
 Actor-specific resources; 41
 Customer resources; 41, 84
 Financial resources; 34, 41
 Human resources; 34, 48, 53
 In the focal relationships; 34ff
 Marketing; 34
 Organisational resources; 35, 43
 Organisation's relational resources at an individual level; 46
 Physical; 35
 Procurement; 34
 Relational resources; 41, 53, 84
 Reputation; 35
 Supplier resources; 41, 53, 84
 Technical resources; 34, 35, 47

Ring; 40, 67, 154
 Rosenbröijer; 35
 Rossi; 101
 Rubin; 121
 Räsänen; 128
 Salancik; 72, 137
 Salmi; 76, 90
 Salmond; 57
 Satisfaction; 14, 15
 Scanzon; 145
 Schurr; 56, 120, 121
 SEO; 35, 39, 51, 60, 67, 68, 78, 81, 93, 95, 97, 105, 113, 126, 127, 156, 202, 229ff
 Service (Petrol) Station Systems Division; 23, 27, 35, 42, 81, 93, 96, 97, 106, 108, 129, 155, 186, 219ff
 Services marketing; 14, 15, 26
 Sheth; 76
 Situational balance; 136
 Situational values; 134
 Snehotá; 14, 34, 52, 137
 Societal values; 147
 Society; 76
 Solomon; 14
 Spatial context; 94, 96
 Special Systems Division; 23, 27, 28, 35, 68, 79, 81, 97, 188, 230ff
 Spekman; 148
 Stake; 22
 Strandvik; 103, 137, 148, 153
 Strauss; 164
 Ståhl; 124
 Supplier; 41, 84
 Supplier activities; 84, 160
 Supplier markets; 15
 Supplier resources; 53
 Suprenant; 14
 Swan; 102
 Symbolic exchange; 142, 154
 Systasy; 56
 Szmigin; 102
 Tako; 27, 35, 36, 81, 93, 96, 105, 109, 126, 156, 199, 210ff
 Teboil; 27, 35, 36, 49, 50, 51, 78, 79, 81, 93, 95, 97, 105, 112, 116, 118, 126, 127, 156, 201, 225ff
 The functionalist approach; 73
 Thibault; 56, 102, 137
 Tikkanen; 74, 90
 Transaction cost theory; 137
 Transaction marketing; 14
 Transactional relations; 153
 Transactional relationships; 28
 Triadic relationship; 39, 89, 127
 Triangulation; 162
 Trine; 17
 Trust; 15, 29, 55ff, 65, 67, 68, 85, 86, 112, 113, 118, 133, 137, 145, 146, 154, 160, 161, 166
 As a social resource; 67
 Basis of; 61, 85
 Collective; 57
 Development; 63
 Distrust; 65
 Individual; 57
 In the focal relationships 60ff
 Levels of; 63, 71, 85, 160
 Materialisation of; 65
 Objects of; 160
 TUA (three unit analysis) method; 29
 Törnroos; 90, 91, 98, 101, 149
 Walker; 121
 Wallendorf; 164
 Walton; 124, 127
 Value; 12, 15, 19, 50, 101, 121, 123, 134, 147
 Basic values; 134
 Situational values; 134
 Societal values; 147
 Van de Ven; 40, 67, 154
 Webster; 147
 Weitz; 56, 148
 Venetis; 102
 Vertical integrations; 148
 Vertical network; 143
 Views of science; 241, 242
 Virtual organisation.; 73, 150
 Whipp; 89
 Wilkinson; 75, 82
 Williamson; 137
 Wilson; 55, 57, 63, 75, 137, 149, 155
 Wilson 1988; 149
 Vuorinen; 35
 Yin; 16, 22, 162, 164, 165
 Young; 75, 82, 119, 120, 121, 150
 Zaltman; 16, 56
 Zeithaml; 14