DEVELOPING A GENERIC FRAMEWORK FOR BUILDING B2B RELATIONSHIP STRATEGY IN DYADIC RELATIONSHIPS

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Abstract

The main investigation of this thesis, in simple terms, is *to identify the underlying factors in the initiation and the development of dyadic business relationships and to classify them accordingly so that suitable and practical relational strategies can be drawn upon these classifications*. In line with the idea that business relationships are required to ensure repeated orders, it becomes vital to find out what factors influence establishment and development of relationships; if any given relationship is fully utilised, and what actions needed to increase the value/strength of those relationships, even if the potential might be weak.

The theoretical frame of reference chosen for the study is based on the Industrial Network Approach (INA), otherwise known as the Activities-Resources-Actors (ARA) model. The idea within this paradigm builds on the understanding that relationship development strategy is not an individual firm activity. It suggests that firms should develop relationships, which refers to an approach whereby the development involves activities directed at counterparts and/or actions are derived from the interaction with counterparts. While relationship is central to the INA literature, the regulating factors of initiating and developing relationships have been somehow unexplored. The prevailing literature on relationship building often fails to take into account the reality, which in turn weakens the theoretical grasp of the environmental context of industrial marketing and business strategy. In creating strategies and tactics, the study reviews major portfolio models and finds considerable theoretical and managerial gaps. In tackling these gaps, there emerges a need to define novel terminology such as relationship capacity and relationship index, and the thesis develops its own matrix for the taxonomy of relationships for relationship initiation/development with the view of the underlying factors. The variables that regulate the matrix are drawn from the industrial buying behaviour literature, and therefore the matrix has robust foundations in building relational strategies, whilst the dimensions of the others are left to the discretion of their creators. The matrix is used as one of the tools in a five-step methodology, also proposed by the study, in the initiation and/or the development of business relationships.

This thesis then moves to validate the matrix and the methodology. To this end, it first uses the matrix and the methodology in an in-depth qualitative case study that involves the initiation and the development of a dyadic business relationship between a Turkish marble processer and its Qatari fit-out firm. The focal firms co-operated in winning a one-time order from the Qatari firm's client, a Japanese contractor working in Doha. There had been no previous dealings between the focal companies and it required them to develop joint-selling activities that helped secure the contract from the contractor. The way the firms acted and interacted in relation to each other impacted their

ability to organise and economise on their resources effectively when carrying out their dealings in being awarded with the contract. The case study demonstrates how the parties became convinced of setting a business relationship despite having had no previous relationship in place. For instance, shortly after the partnership arrangement was formed, the client of Qatari fit-out firm showed a great resistance in awarding the contract to the partnership. It was necessary to quickly find a solution in order to remain as the preferred supplier to the project. There were critical events that the partnership needed to address, and they managed to deal with the situation as the events unfolded and the relationship progressed. The case study illustrates and example of how a business relationship can challenge issues faced on the way in winning a large order. The partnership arrangement therefore serves as the empirical point of departure of the study. Secondly, in verifying the variables that regulate the matrix, the study applies to expert view to reveal whether or not the variables are really the reasons for initiating and developing relationships as deduced from the literature review. From that quantitative endeavour, it draws conclusions that support the main investigation of the thesis and presents considerable contributions to the prevailing literature.

Key words: Relationship initiation, relationship development, relationship strategy, portfolio approach, methodology.

Contents

Figures

Tables

1. Introduction

1.1 Background and motivation

Industrial relationship studies suggest that if buyer firms aim to benefit more out of the suppliers, they should engage in extensive interaction; in particular, the emphasis is on the application of dyadic approach in building industrial business relationships (Gadde & Snehota, 2019; Ashnai, Smirnova, Henneberg, & Naudé, 2019; Tanskanen & Aminoff, 2015). Understandably, the studies focus on relationships that are key to both buyers and sellers; plenty of studies on the subject have been conducted to date (Tower, Hewett, & Saboo, 2021; Gadde & Snehota, 2019; Talay, Oxborrow, & Brindley, 2018; Forkmann, Wang, Henneberg, Naudé, & Sutcliffe, 2012; Tanskanen & Aminoff, 2015). However, industrial markets are not only made up of large and multinational firms that interact strategically with one another, but also of SMEs that deal routinely with each other. As a result, pertinent products are easily substitutable, and switching costs from one supplier to another are fairly low. In other words, companies that deal non-strategically with each other do not develop strong relationships. Following from this fact, the extant literature does not explain why some relationships remain very weak whilst others can become strong and deep. This thinking leads to the conceptualisation that certain dimensions should regulate relationship building process. However, there has been no research on the underlying-regulating reasons for the development of business relationships.

B2B stream of research is heavily criticised despite the marked volume of literature (Möller & Halinen, 2018) due to the lack of practical relevance to key managerial problems (Nenonen, Brodie, Storbacka, & Peters, 2017) and static methods-driven research in business environments, the nature of which is extremely dynamic (Zeithaml, et al., 2020). In other words, the key reason for the scepticism regarding B2B literature is the discipline's detachment from real-world phenomena, which weakens the theoretical grasp of the environmental context of marketing and business strategy (Kristian Möller, Nenonen, & Storbacka, 2020). While stressing the importance of dyadic interactions and establishment of strong relationships (Gadde & Snehota, 2019), how the operationalisation of a dyadic phenomenon should be undertaken is still unexplored (Ashnai, Smirnova, Henneberg, & Naudé, 2019). No wonder why the literature is still unclear in terms of initiation phases of B2B relationship development (Hurmelinna, 2018; Aarikka-Stenroos, Aaboen, Cova, & Rolfsen, 2018; Aarikka-Stenroos, 2008).

This research identifies two main literature gaps, first the regulating factors of relationship development are yet to be explored; and second, the shortness and the impracticality of the current relationship building theory in real business environments. It is the principally intended

contribution of this thesis *first to identify what holistic dimensions enable or restrain relationship building and second to present a novel relationship portfolio approach that proposes clear strategical directions for relationship initiation and development*. In doing so, using the case of a dyadic relationship in the international construction industry, it introduces *the notion of relationship capacity* and differentiates between *strength, capacity* and *growth potential*. In this approach, it equally focuses on those relationships that are not important or strategic, and recommend tactics in making these relationships be fulfilled to their capacity.

1.2 Research problem area

The empirical base of this thesis concerns a single dyadic business relationship between two companies within the construction industry. Similar to other industries, building sectors underwent frequent and significant changes throughout the 1990s and 2000s due to globalisation, internationalisation and specialisation. As a consequence of their growth, firms in the industry began nurturing a limited number of core resources and abilities by outsourcing all none-core operations. These developments gradually continued downstream in the distribution channel to distributors, transporters, subcontractors, etc. The focal firms are specialists in what they do; they do not fully undertake construction projects but they are deemed subcontractors engaged by contractors or major subcontractors. Ionic Stone is a marble quarrier and stone processor based in Turkey and the UK, supplying marble tiles and slabs. Based in Qatar, CP (to achieve anonymity, the initials are used throughout this study, wherever required) is fit-out contractor supplying materials and installation services for shell and core buildings. The project, the second phase of a large regeneration development worth over US$5.5 billion, was designed by an American architectural office and contracted to a Japanese construction firm. In line with the Industrial Network Approach (INA) literature, actions taken by the focal firms are influenced by the wider network of actors such us the architectural office, the main contractor, the representative of the client, the engineering firm etc. This research examines the events unfolding as the focal firms' relationship was initiated and developed with a special focus on the dyad.

The case involves a relationship that had not existed prior to the project, and was initiated and developed to win the subcontract for supply and installation of marble specified by the architects. This study explains how the relationship was started, developed and helped CP be awarded with the subcontract, which in turn led to the fit-out firm placing the marble order with Ionic Stone. Therefore, it was a case for a winning a large order. It is imperative to mention that the selling strategies and tactics employed by the seller were derived from the methodological framework set forth within this thesis. The principal motivation of the focal firms for initiating the relationship was two-way. The fit-out firm could not have won the subcontract without the knowledge and expertise of Ionic Stone.

Conversely, the marble supplier depended on CP winning the supply and installation contract so that it could provide the "supply"; marble products for the project.

1.3 Definition of research questions

The main theoretical interest of the thesis relates to the notion of relationship development within dyadic business relationships, which are viewed as both the arena in which strategy is created and in which outcomes of strategic actions are manifested. Therefore, dyadic relationships serve as the unit of analysis of the study, which broadly follows the tradition of much of the research that has been conducted within the INA. Similar to the fact that the dyadic business relationship arose as an alternative governance mechanism to the market and hierarchy, the notion of relationship strategy emerged as an alternative to firm strategy.

Nominating dyadic business relationships as the unit of analysis builds on the idea that firms cannot act independently and be isolated from counterparts. The INA presumes that coordination occurs through interaction within business relationships. Hence, business relationships are the central governance mechanisms that coordinate business exchange processes between firms. In other words, relationships become the focus for firms' individual and collective activities that in turn affect their ability to govern in relation to counterparts. Thus, there is a natural link between strategy and relationships. If it is accepted that dyadic analysis is critical for understanding behaviours within industrial networks, then a dyadic perspective can provide valuable insights into issues and challenges related to the management firms in relation to others. While many concepts such as connectedness and dependencies are treated as common facts and widely recognised terms within the prevalent literature, the terms are still somewhat unfamiliar in terms of what these concepts mean in the business world. A focus on dyads with regard to how selling firms act and react and how strategies of selling are formed can offer practical understanding. Thus, the dyadic focus on relationship development can propose classifications as to how to draw selling strategies and tactics in relation to others.

The thesis investigates relationship development strategies from the seller's perspective within the context of dyadic business relationships. It strives to find out *the underlying factors* that assist and restrict industrial marketers in developing coherent marketing strategies in respect of buying firms. Industrial buyer-seller relationships are needed to guarantee repeated purchases; it intends to ascertain what elements affect the relationship forming, if any given relationship is fully utilised, and what activities are required to improve the relationship value, even if the relational potential is weak. In creating strategies and tactics, the study reviews major portfolio models and develops its own matrix for the taxonomy of relationships from its own perspective. B2C literatures ably demonstrate

a long-established and widely-accepted methodology to develop a marketing strategy for selling firms; from analysing environment to constructing a suitable marketing mix, however the same cannot be advocated for relationship development in B2B marketing. The main research question of the study is,

> *How sellers can build relational strategies in industrial markets for initiating new business relationships with customers, and enhancing existing ones in order to stay ahead of competition*.

This question is researched within relationships/networks setting. The proposed framework of the study is derived from the three streams of research: industrial buying behaviour, customer portfolio models and the ARA Model, distinguishing between three layers of business life: activities, resources and actors. The main research question is then divided into three sub-questions:

1) *What are the situational and environmental underlying factors that regulate the development of industrial relationships*?
2) *To what degree can industrial relationships progress, and how*?
3) *How can marketers create strategies to establish new relationships and improve existing ones*?

The focus of the prevalent literature has been on strategic relationships. Issues that are discussed in research papers usually geared towards those relationships that occur between large organisations, where technical complexity requires a very close working practices between buyers and sellers, the products and services that are exchanged are very important to buyers and as a result, with the virtual amalgamation of buyers and sellers, there emerge quasi-organisations that buyers or sellers cannot easily disband from one another. Therefore, what happens when a relationship does not have the capacity to go any further to the levels of afore-mentioned relationships? What should a business marketer do to improve the conditions of a relatively weaker relationship? This thesis seeks answers to such questions.

1.4 Intended contributions of the thesis

While seeking answers to the research questions, the study contributes to the B2B literature by the following ways:

a. It presents novel terminology that will be understandable in and applicable to the real-life situations.
b. It proposes an original approach to relationship portfolio management by the introduction of a unique tool.

c. It strives to use the ARA model in the business world and explores methods to apply the model into the practice.
d. It contributes to the understanding why business relationships do or do not develop.
e. It offers strategies not only for strong relationships, but also weaker relationships, which are largely omitted in the prevailing literature.

1.5 Organisation of the thesis

The first chapter introduces the topic of the thesis and briefly justifies the need for the study. As the research methodology of the thesis uses systematic combining, which is founded upon abductive reasoning, the methodology and the research method are discussed before the literature reviews. The current academic views are divided into two chapters, the first of which discusses the ARA model, which theorises and explains the dynamics of any given business relationship. The following chapter involves the reviews of known portfolio models and then moves on to creating the framework of this thesis, which forms this work's contribution to the current literature, the notion of relationship capacity, which is used in a novel portfolio approach to analysing suppliers' dyadic relationships with their customers as an initiation point in developing relationship strategy. Chapter 5 presents the case, a dyadic relationship between a marble supplier and its fit-out customer. In the next chapter, the proposed framework and its tools are used and validated using in-depth analysis of the case. In this chapter, the case is analysed and the portfolio matrix is operationalised using the information provided in the previous chapter. The seventh chapter presents a further validation to the fundamental hypothesis of this work, the underlying variables of relationship development, as a result of a survey conducted with 11 business marketing/purchasing professionals. The last section of the thesis, Chapter 8, discusses the implications and limitations of the matrix from both theoretical and practical points of view, and it concludes the thesis adding final remarks with suggestions for future research. Table 1.1 shows the structure of this thesis.

Table 1.1: Outline of the thesis

Chapter 1	Introduction to the subject of the thesis
Chapter 2	Literature review: theoretical background
Chapter 3	Research methodology
Chapter 4	Discussion and contributions of the thesis Relationship capacity matrix: bridging managerial dimensions

Chapter 5	The case: dyadic relationship between the focal firms
Chapter 6	Analysis of the case and operationalisation of the matrix
Chapter 7	Further validation using a survey analysis
Chapter 8	Implications and final remarks

2. Theoretical background

Chapter 3 addresses the literature review that relates to the theory constituting the background of the thesis. It reviews mainly two well-developed topics, the interaction approach, and the ARA model, both of which are the works of IMP group and explain business relationships. It begins with the review of the interaction approach, which analyses the factors affecting relationships. The ARA model, which is the conceptual tool proceeding from the interaction approach, explains relationships in terms of what the relationships have been built with, and between whom they have been built. The next chapter and the framework of the thesis build on these bodies of literature.

2.1 Introduction

Research into industrial markets in the USA and Europe conducted by the 1980s showed that many persons across different departments of buying firms became involved in organisational purchasing; that buyers were usually reluctant to change their source of supply; and that there was a unexpected degree of stability and durability in their dealings with their suppliers. Buyers strived to reduce risk by cooperation with their suppliers; even powerful customers frequently sought collaboration and cooperation instead of brutally and asymmetrically exercising their bargaining power. It was established that such behaviour resulted from business relationships, which entailed regular adaptation of activities and operations, and joint investments of myriad of resources in products and services by both seller and buyer (Turnbull, Ford, & Cunningham, 1996).

The prevailing approach to industrial marketing by the late 70s was, to large extent, influenced by consumer marketing and was associated with the researchers in the US. Generally speaking, this approach endeavoured to explain the industrial buying as a simple exchange which resulted from an inert decision-making process and, on the whole opted for study of either buyers or sellers (e.g. Webster & Wind, 1972; Sheth, 1973; and Robinson, Faris, & Wind, 1967). In Europe, on the other hand, another tradition of observation emerged and it was heavily influenced by the work outside the marketing area namely Inter-organisational Theory and the New Institutional Economic Theory, and focused on the "space" between organisations (Hakansson, 1982; Easton, 1992). "The implication of this observation is that it is not so much what happens *within* a single company but what happens *between* that company and others that constitutes the core of business" (Ford, Gadde, Hakansson, Snehota & Waluszeswski, 2010). This thinking led to a research tradition that had a strong focus on providing descriptive empirical enquires into industrial relationships. Research projects were designed to capture social exchange and interaction across firm boundaries and the variation in substance and function across different relationships. The project formed the basis for

what later would become the *interaction approach* and the *interaction model* by an informal group of researchers called IMP Group (International Marketing and Purchasing).

2.2 Interaction approach

The interaction approach is constructed upon a number of factors which are significantly important, and appear to have been largely neglected in previous research:

> *First, that both buyer and seller are active participants in the market. Each may engage in search to find a suitable counterpart, interacting with each other. This interaction takes place within the context of a relationship between both parties. Each may make adaptations in either elements exchanged or the process of exchange.*
>
> *Second, the relationship between buyer and seller is frequently long-term, close and involves complex pattern of interaction between and within each company. The previous experience of individuals and their companies in that relationship and in others are important influences on attitude and behaviour in both purchasing and selling. A business purchase or sale is not an isolated event. The marketers' and buyers' task in the case of well-established, highly cooperative relationship has more to do with maintaining that relationship rather than with making a straightforward sale or purchase.*
>
> *Third, the links between buyer and seller often become institutionalised into a set of roles that each party expects the other to perform* (Hakansson, 1982).

Although the emphasis of the interaction approach is on dyadic relationships, the approach can also be applied to multi-party relationships. All companies simultaneously interact with several others and interaction between any two parties will affect their interactions with these other parties they are linked to. Therefore, interaction processes are connected together in a *network*-like configuration and these connections lead to alterations to activities, resources and to companies across many organisational borders (Ford, Gadde, Hakansson, Snehota & Waluszeswski, 2010; Hakansson, Ford, Gadde, Snehota & Waluszewski, 2009).

> *Interaction appears to be the major means through which companies systematically relate and combine their activities and resources to each other. It is through interaction that the benefits of widely distributed resources and activities flow between and into the companies in the network. As well as being a ubiquitous process, interaction also forms a working structure for the network and provides an element of stability to how different companies relate to each other in the network. Interaction provides a means for companies to address their respective issues and problems. Interaction may also generate problems for the*

companies and conflict between them. Interaction may lead to change and dynamism in companies as well as leading to cooperation and stability. Interaction is driven by and produces a world full of different and often conflicting interpretations of the meaning of the particular business behaviour of different actors. It is often difficult or impossible for those involved in the network world to separate the individual actions, re-actions and re-reactions of each actor or to trace their causes, effects and outcomes (Ford, Gadde, Hakansson, Snehota & Waluszeswski, 2010).

The main components of the approach are illustrated in Figure 2.1. Hakansson (1982) identifies four group of variables that relate to the model:

1. Variables describing *the elements* and *process of interaction*.
2. Variables describing *the parties involved* both as *individuals* and as *organisations*.
3. Variables describing *the environment* within which the interaction takes place.
4. Variables describing *the atmosphere* affecting and affected by the interaction.

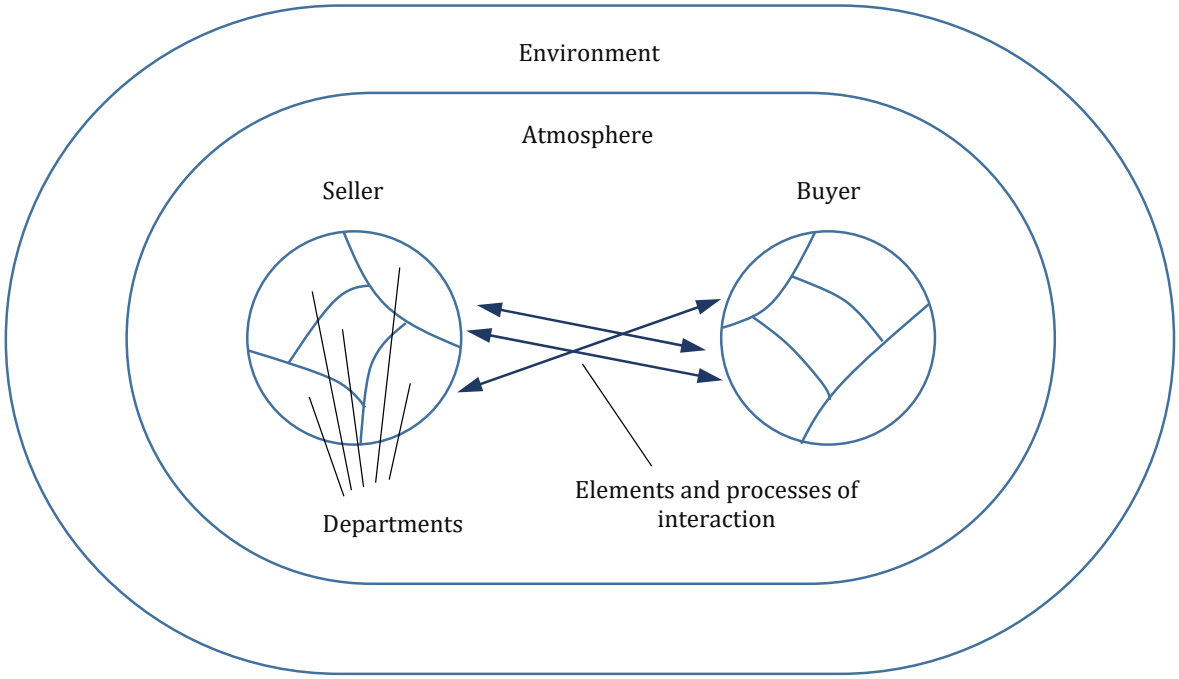


Figure 2.1: The Interaction Model (Hakansson, 1982)

Relationships between buying and selling companies in industrial markets are usually long term. Therefore, it is vital to distinguish between individual actions termed *episodes* e.g. placing or

delivering of a particular order, and the longer-term aspects of that *relationship* affecting and may be affected and shaped by each episode.

2.2.1 Business interaction: episodes and relationships

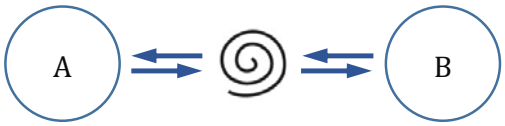
Episodes consist of a collection of exchanges between parties as to a particular transaction or activity. *Product exchange* and/or *service exchange* is often the essence of any transaction. In return, the selling party earns *financial* rewards from the buying firm. During that process, buyer may require certain technical, economic, or organisational *information* on the product or service being transferred to the buyer party. The information element of an episode frequently dominates the interaction process. For instance, in IT market information on software (i.e. how to use it) is more important than the software itself. The other exchange element could be of *social*, which has an important function in reducing uncertainties between the parties. This is particularly significant where the experience between the buying and the selling party is inadequate. Furthermore, the fact that relationships should be based on mutual trust is a part of the social reality. Social exchange episodes may be important in order to avoid short term complexity between two parties and to maintain a relationship in the periods between transactions. However, perhaps the most important function of social exchange is in the long-term process by which successive social exchange episodes gradually interlock the firms with each other. The information exchange and inter-personal communication result in specific contact patterns between the parties that can be both formal and informal in nature (Cunningham & Homse, 1986). The parties will also invest in specific resources to affiliate business exchange and various adaptations are made both in technical and organisational resources in order to support an effective exchange process (Gadde, Huemer, & Håkansson, 2003).

Exchange is a mechanism that provides linkage to the relevant parties for the time of the exchange, but it may not have any substance that can influence the either or both of the parties. This kind of exchange is very similar to buying a bread from a bakery; the exchanged items; money and the bread are not exposed to any modification as a result of the exchange process. Ford, Gadde, Hakansson, Snehota & Waluszeswski (2010) interprets this type of exchange as *market exchange* (Figure 2.3). However, in industrial business worlds, the reality of exchange is rather complex since the exchange itself lead to some sort of *change* in the parties. Figure 2.3 suggests that exchange brings about outcomes that cannot be fully controlled by any of the parties involved. The spiral indicates that the process of interaction, from which products, services, deliveries, developments, adaptations and payment emerge, is a process that takes place over time because what seems to be an output or end-point is, in turn, an input into the continuing process; an input that is not identically understood, that is interpreted differently by each counterpart involved in the interaction and also by others. Successive interactions over time can lead to results that show that the activities and resources of

the actors and the actors themselves are *transformed* through interaction (ibid, p.87). The arrows from the spiral represent to A and B's interpretations, assessment and outcomes of what has emerged from the interaction and what has been their counterpart's intentions and approach to it. These interpretations and assessments of their interaction form the basis for the actors' approaches to further interaction. The arrows to the spiral represent these approaches (ibid. p.86). Ford, Gadde, Hakansson, Snehota & Waluszeswski (2010, p.88) defines interaction as "the substantive process that occurs between business actors through which all of the aspects of business: material, financial and human and all of the elements of business: actors, activities and resources take their form, are changed and are transformed".

Figure 2.3: Market exchange
Ford, Gadde, Hakansson, Snehota, & Waluszeswski (2010)

Figure 2.3: Business interaction
Ford, Gadde, Hakansson, Snehota, & Waluszeswski (2010)



The routinisation of exchanges over a period of time result in clear anticipations by both parties for the responsibilities of their counterparts. Ultimately, these anticipations become *institutionalised* to a degree that one party does not question the other party and may have "more in common with the traditions of an industry or a market than rational decision-making by either of the parties" (Ford, 1978). On the other hand, "institutionalisation leads to the problem of inertia because it can make a seller unresponsive to the changing requirements of customers" (Ford, 1980).

Industrial relationship studies suggest that if buyer firms aim to benefit more out of the suppliers, they should engage in extensive interaction (Gadde & Snehota, 2019). Interacting is important for both parties to identify potential opportunities and implement actual solutions. Firms cannot possibly develop major products or service innovations on their own due to the dispersion of knowledge and resources triggered by organisational specialisation (Svahn & Westerlund, 2009). Moreover, the rising demand for greater operational effectiveness has coerced more companies into focusing on their core competencies, which leads to outsourcing of other products and services. As a result, it brings about increased dependency on each other's resources and capabilities (Prahalad & Hamel, 1990). Rather than playing the market, companies usually opt for developing close

relationships, through which they can obtain advantages in the form of cost reduction and increased revenues (Ford, 1980) or differential control over the exchange (Hakansson, 1982). These advantages are accomplished by adapting resources in dealing with a specific buyer or seller, i.e. by making *relationship-specific investments*. These investments denote major adaptations by both companies for their own process or product technologies; in other words, for the relationship, to accommodate each other. Neither party is likely to be able to make unilateral changes in its activities as buyer or seller without consulting or at least considering the possible reaction of their individual opposite numbers (Ford, 1980).

The benefits from developing business relationships cannot be created unilaterally and the efforts require to be taken jointly. Studies over the past decade have shown that coping with interaction requires accepting three effects; first, effective relationships can only be achieved with substantial interaction by both parties. Second, pursuit of benefits results in mutual dependences, which entails giving up some autonomy as a trade-off for accomplishing such benefits. Third, exploiting supplier resources via relationships requires joint investments (Hakansson & Snehota, 2017).

2.2.2 Interacting parties

The characteristics of the parties involved in a business relationship will significantly affect the process of interaction, whether the selling or the buying organisation is a wholesaler or manufacturer, whether the parties' sizes are asymmetrical, whether the individuals that manage the parties can get along with each other etc.

Technical-technological issues are often critical in business interaction in industrial markets. The ultimate goal of the interaction process can be viewed as tying the production technology of the seller to the application technology of the buyer. Quite obviously, if the two firms are separated by a wide gulf of technical expertise, then the episodes and the total interaction between them can be expected to be quite dissimilar from a case where the two companies are levelled in their expertise. In that case, information exchange will probably be the most important factor of the relationship.

The *size* and the *power* of the parties give them basic positions from which to interact. In general, a large firm with considerable resources has a greater possibility of dominating its customers or suppliers than has a small firm. Since the degree of centralisation, formalisation and specialisation of the company will determine the number of people involved in the interaction process, in the short term, *organisational structures* functions as a framework within which the interaction takes place. But in the longer term, organisational structures may be modified as a result of the continuous process of interaction process. The strategy of each party is an important factor which influences the business relationship.

The *experience* of the company, not only in the relationship but also in other areas, will affect the relationship. As relationships are inter-connected, change in the substance of a relationship may affect other relationships and thus companies other than the two involved (Hakansson & Snehota, 1995). The experience is the result of many other similar relationships and will equip the company with the knowledge about the management of these types of relationships.

Organisational entities are run by *individuals*, whose personalities, views, backgrounds, attitudes, beliefs will strongly influence the interaction process. They run operations, take decisions, exchange information, and ultimately develop relationships and build up strong social bonds which influence the decisions of each company in the business relationships.

Araujo, Gadde, & Dubois (2016) stress the significance of the two parties' interactive capacity, which is the amount of time and resources devoted to interacting, and interactive capability, which is accumulated skills, knowledge and experience attained over time through learning. They argue that interacting with suppliers is a matter of learning regarding the outcomes of the interaction – i.e. learning from suppliers and indirectly, learning from the outcome of the suppliers' interaction with their other customers – and that the ability to interact is itself dynamic, and a subject of learning. Hence, the interactive capacity and capability of the buying firm can be expanded over time if a systematic and integrated approach to the interaction is in place.

2.2.3 Interaction environment

In line with the idea that interaction between firms is not an isolated phenomenon, the interaction model proposes that any attempt to describe, analyse and understand interaction demands an orientation whereby interaction is studied in relation to the wider context in which the parties are embedded (Hakansson, 1982). Here the interaction model focuses on five main contextual factors: market structure, dynamism, internationalisation, position in the market channels and the social system.

The *market structure*, the degree of *homogeneity-heterogeneity* and *stability-dynamism*, the extent of innovation and growth of the market has a clear bearing on the strength of the relationship (Michel, Náude, Salle, & Valla, 2003; Johnston & Lewin, 1996). For instance, if the product offered is a commodity, then the buyer's perception will be different than that of an IT product where the innovation cycle is seen to be six months.

The company's *position in the manufacturing channel* will also influence the relationship. For instance, manufacturer A may sell electric components to manufacturer B, who then incorporates these components into actuators that are sold to manufacturer C, who adds them to valves. These

valves, with many other products, may form the stock of distributor D and so on. The marketing strategy of A may thus be affected by and directed at several markets at different stages in the channel. Clearly his relationship with buying company B will be affected by both A's and B's relationship with C and other subsequent organisations.

The other factor might be the characteristics of the wider environment surrounding a particular relationship – the *social system*. This is particularly important in the international context where attitudes and perceptions on a generalised level can be important obstacles when trying to establish an exchange process with a certain counterpart. Other aspects concern regulations and constraints on business, for example exchange rates and trade regulations.

2.2.4 Atmosphere

The atmosphere can be described in terms of the *power-dependence* relationship which exists between the companies, the state of *conflict vs. cooperation* and overall *closeness* or distance of the relationship as well as by the companies' mutual *expectations*. The atmosphere is an implication of the relationship, and it also mediates the influence of the groups of variables. There are reasons for the buying and selling firm to both develop a high degree of closeness or cooperation with their counterpart as well as to avoid such closeness or to create conflicts. There are, therefore, both pros and cons related with different atmospheres.

Figure 2.1 shows that it is possible to identify and study connections between the variables on different levels. Firstly, at the most general level, one variable group can be related to another, for example it is possible to relate the parties in the exchange process to the interaction environment. Secondly, it is possible to investigate the linkage between variables in one variable group, for example between the elements of exchange and the process of exchange. Thirdly, it can be valuable to explore the relation between the variables within a sub-group. An example of this is the connection between the characteristics of the product and the characteristics of the information which is exchanged. The basic idea with the model is that the atmosphere influences and is influenced by economic and control dimension of the business relationship. The economic aspect sheds light on the benefits to be reaped from being close, when certain adaptation mechanisms can offer an effective management of inter-firm operations. In addition, the economic aspect draws attention to how efforts to capture specific economic outcomes can be hindered by the nature of such connections and the interdependencies that resides within them. Ritter (2000) has later elaborated on the issue of how relationships can be impacted from the firms' actions within relationships. Using his terminology, the economic outcome following from interaction can be defined as no change, one-sided positive, one-sided negative, two-sided negative, and two-sided positive (Ritter, 2000).

An inter-company interaction is never a communication or negotiation, even if these may be important aspects of a business relationship (Ford, Gadde, Hakansson, Snehota & Waluszeswski, 2010). It evokes the concepts of mutual orientation, commitment, and interdependence (Hakansson & Snehota, 1995). The relationship is a "quasi-organisation" that amounts more than simply the sum of its elements because the two companies jointly utilise resources and perform activities which none of them could accomplish in isolation. The greater the involvement of a company in a particular interaction, the greater will be the effects on its own activities, on its resources and on the company itself. Interaction is a cumulative process over time. Hence, the characteristics of actors themselves and of their activities and resources are as much an outcome of interaction as they are an input into it. Therefore, the outcomes or the content of a business relationship can be described in terms of three layers; *activities* that are linked, *resources* that are tied when performing these activities, and *actors*' personal bonding that are developed when interacting with the other (Hakansson & Snehota, 1995). This view of business interaction has been refined in the Actors-Resources-Activities model (the ARA model, Håkansson & Johanson, 1992), which is discussed below.

2.3 Process and outcome of interaction: the ARA model

Analysis of inter-organizational business relationships requires the development of concepts suitable for comprehending the complexity and allowing for the differentiation and classification of the variety of these relationships in terms of their content and function. Some scholars proposed using the Activity-Resource-Actor (ARA) model to analyse business relationships and their consequences (Hakansson & Johanson, 1992; Hakansson & Snehota, 1995). The notion is that in order to understand the development of a particular firm, one needs to observe how it is connected to other firms in the following three dimensions or "layers": activities, resources, and actors. Interaction in business relationships can be analysed by examining the overall pattern of interaction between the two businesses in these layers (Hakansson, Ford, Gadde, Snehota, & Waluszewski, 2009), and also at a more micro level, by investigating various processes that pertain to the single layers: e.g., how specific resources, products, organizational units, activities, and individuals interact (La Rocca, Hoholm, & Mork, 2017).

The ARA model is comprehensively mentioned for the first time in the works by Hakansson & Johanson (1992) and developed further by Hakansson & Snehota (1995). Even though the ARA model was originally formed to shed light onto networks, Ford, Gadde, Hakansson, Snehota & Waluszeswski (2010) further refined the ARA model from a dyadic point of view which underlined the significance of interactions and relationships between buyers and sellers. The unit of analysis in the model is industrial relationships and the model identifies new distinctive dimensions that help in examining and providing convincing explanations to a complex phenomenon. These dimensions

offer ways to exploring layers connected in a relationship and the effects produced by these connections.

Relationships have some unique patterns. Although no two relationships are alike, they share a certain communality; an outcome in the effects they produce. There are two dimensions that capture the effects of business relationships: the first is to do with what is affected, and called the *substance*; the second is to with who is affected, and termed the *function* (Hakansson & Snehota, 1995).

The first dimension, the *substance*, provides analysis for the effects of the relationship on the both sides of the relationship. In other words, the outcomes of an interaction between buyer and seller can be described in terms of the substance (Ford, Gadde, Hakansson, Snehota, & Waluszeswski, 2010), and three layers of substance are identified: *actor*, *resource* and *activity*.

Actor layer: Actors control activities and/or resources. Individuals, groups, departments or parts of departments, collection of departments, firms and collection of firms can be actors. Activities are performed and controlled by actors, who develop relationships with each other. Actors base their activities on control over resources.

This layer relates to the inter-personal relationships – bonds – that become established between individuals through their interaction. This layer reflects to what extend actors trust each other, treat and influence each other, and committed to the relationship.

Activity layer: Activities happen "when one or several actors combine, develop, exchange or create resources by utilising other resources" (Hakansson & Johanson, 1992). This layer is to do with the integration and coordination of activities that develop between actors. Various activities covering the entire value chain of the firm, from primary activities such as logistics, production and sales, to support activities such as technology development, human resources and administration become integrated and linked together.

Resource layer: To perform activities, actors need resources. As the interaction develops, resources are adapted and mutually tied together. Resources can be in the shape of tangible resources such as plant or equipment, and of intangible resources like knowledge and experience. All resources are controlled by actors.

The three layers of substance can be regarded as three different constructs that together determine the characteristics and the values of any relationship. For instance, major relationships between companies tend to have complex links of activities, highly tied resources, and advanced of interpersonal relationships; "thicker" substance. In other words, if one wishes to analyse the

significance of any relationship, activity links, resource ties, and actor bonds require a thorough examination.

A business relationship affects and is affected by different parties and other relationships, therefore it has different types of effect on different actors that are *within* or *outside* of the relationship. The second dimension, the *function*, explains the effects a relationship has for different actors. Three different functions can be identified: function *for the dyad*, function *for the single actor*, and function for *the network*.

Function for the dyad: A business relationship is initiated and developed as two firms establish connections in the activity, resource and actor layers. If successful, resources, activities and actors of the two companies are blended and melted together in a unique way. In other words, a relationship between two firms is characterised by activity links, resource ties and actor bonds. A relationship is a "quasi-organisation" where the substance of the dyad; activity links, resources ties and actor bonds, will be more than the sum of its elements.

Function for the single actor: A relationship is important for the performance of individual party of that relationship because it affects the organisational structure, resource collection and activity structure of this firm. The activity links that this firm has with its counterpart will change the structure of the activities within this firm in the same way that the resource ties will also influence the resources that it possesses. Finally, the actor bonds will lead to major or minor alterations in the roles and responsibilities of certain actors in its organisational structure.

Function for the network: As all relationships are connected, change in the substance of a relationships will affect other relationships, and therefore companies other than the two involved. A very basic example would be the case that when a firm falls into a financial difficulty, and cannot pay its major supplier, the situation may lead to a strain on the supplier's finances, and therefore it also goes into trouble in disbursements to its suppliers. This kind of problems triggers a ripple effect within the network of companies until the financial effect is divided amongst the members of the network and extinguished or fully mitigated. Networks of relationships can be characterised by activity patterns, web of actors and resource constellations.

Putting together the two dimensions, a broad analytical scheme can be outlined in identifying where and what types of effects are likely to occur as a relationships evolves, is established, develops or is interrupted (see Figure 2.4).

From analytical point of view, development of dyadic business relationships between buyers and sellers is the central research subject of this thesis. Therefore, the constructs of a relationship in terms of substance; activity links, resource ties and actor bonds are further elaborated below.

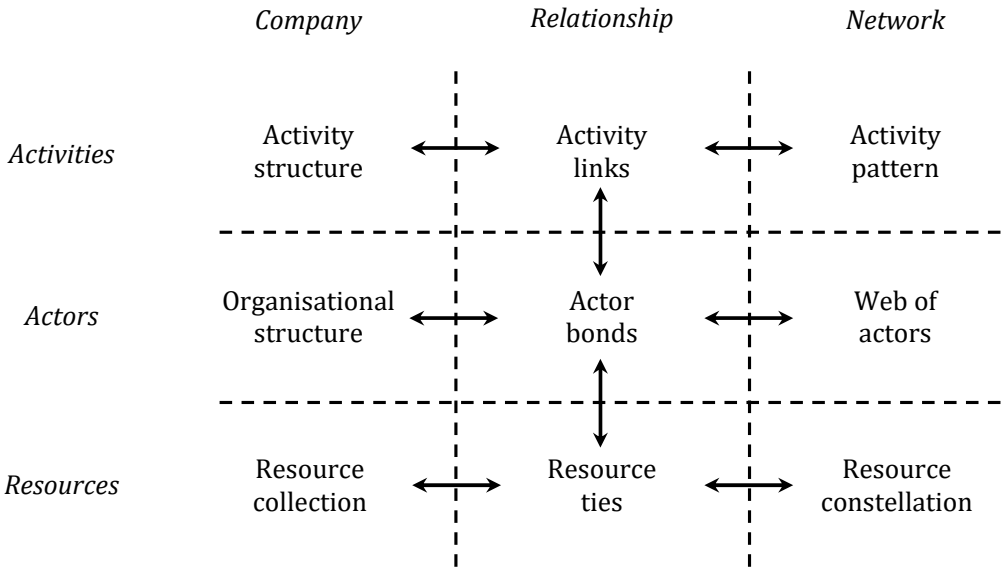


Figure 2.4: Scheme of analysis development effects of relationships (Hakansson & Snehota, 1995)

2.3.1 Activity links

When two companies initiate a relationship, certain of their different technical, administrative or commercial activities become linked to each other. A business relationship is developed further as new episodes are experienced, and the companies become used to working together. As the relationships is enhanced, more and more activities become linked, therefore the internal activity structures of the parties become adapted towards the relationship. In order to provide descriptions and offer explanations or come up with predictions in regards with a relationship, the effects of it and how it is likely to develop the assessment of activity links is an important starting point.

2.3.2 Actor bonds

The way a relationship between two companies affects the two companies is very similar to that between two persons. A personal relationship – bond – between two actors is shaped by the business interaction of the companies of two actors, and as a result, the actors' interpretation of situations, episodes, events and even the entire relationship may alter their identities both in relation to each other and to others. Bonds are created, nurtured and sometimes destroyed through interaction with other actors of various levels of aggregation. Actor bonds connect actors and so are principally social

in nature (Lenney & Easton, 2009) and involve sentiments, emotions, attitudes, norms and values form a social environment which produces a negative or positive atmosphere in which the interaction takes place. This atmosphere could also be conflicting or cooperative (Hakansson, 1982). Positive atmosphere nurtures growth of common values and healthy communication, which positively influence progression of trust and therefore commitment, which are precursors of successful and time-enduring business relationships (Morgan & Hunt, 1994). Actor bonds are primarily regarded by the IMP scholars as the interpersonal trust and commitment that reduces uncertainty in relationships. Actors provide reciprocal understandings that result in adaptations of relationships between firms. Interpersonal interactions generate the resource ties and activity links (Schurr, Hedaa, & Geersbro, 2008).

2.3.3 Resource ties

A business organisation consists of myriad of different resources; manpower, equipment, plant, knowledge, reputation and finance, which together enable activities. The resources of an actor form the basis for its operations. However, it is the relationships of that actor that provide access to and activate the actor's resources. The value of a resource does not exist in the resource itself, but it depends on how that resource is combined with other resources (Baraldi & Stromsten, 2006). It is only through interaction that the actor's resources can be transformed into capabilities that are of value to others and hence form a basis for *interdependence* (Turnbull, Ford, & Cunningham, 1996; Ford & Hakansson, 2006). A business interaction leads to adaptations and modifications in the resource collections of its actors, which in turn "co-evolve" and as a result, these resources become beneficial to the actors as the relationship develops and the two actors become more interdependent. In simple terms, relationships are formed by actors to access different kinds of resources, and as a result their resources become adapted to each other's activities and duly tied. Resource ties unite various resource components and can be entirely material as in the case of a production line consisting of a series of machinery and equipment or totally intangible as in the case of the combinations of human knowledge and skills that result in the development of a new product (Lenny & Easton, 2009).

Resources take many forms. Strategic management theories provide a broad categorisation of resources. In the resource-based view of the firm, resources with particular characteristics (e.g. uniqueness) reinforce sustainable competitive advantage for an organisation. The ability of a firm to compete is based on the resources owned by that firm. Johnson & Scholes (1999) divide resources into four categories: (1) *Physical resources* consist of plant, raw materials, and equipment. (2) *Human resources* comprise skills and knowledge of individual employees. (3) *Financial resources* include

cash resources and access to financial markets. (4) *Intangibles* can be goodwill, trademarks and licenses.

Strategic management texts argue that resources are owned and developed *within-the-firm*. However, more recent studies on resources focus on *network* approach; and propose that resources *within* and *across* organisations are combined, and it is through the combination of these resources that value is created. (Hakansson, 1987; Harrison & Hakansson, 2006).

Hakansson & Waluszewski (2002) divide resources into two categories*: technical resource units* and *organizational resource units*. Whilst the former is further split into *products* and *production facilities*, the latter is further divided into *business units* and *business relationships*. Products may be both single physical items and systems of items including additional services such as training and support. Production facilities include equipment, routines, and skills used in the production of products. Business units arrange products and production facilities. According to this classification, a resource, which, from a supplier's point of view, is identified as a product, may be recognised as a facility from a buyer's point of view. For instance, when Kuka Robotics, which specialises in high-end industrial robots, provides a robot to Ford's production plant, from Kuka's perspective this robot is a product made in the company's facility. Ford, on the other hand, perceives the same robot as a production facility used in the Ford's production of automobiles.

In essence, the categorisation of resources depends on different points of view of classifiers and a subcategory of a classification may overlap subcategories of other classifications. For instance, some parts of business units in Hakansson & Waluszeswski's classification can be included in physical resources category of Johnson & Scholes. Terminology or classifications used thus depend on the point of view. The classification of resources is important for this thesis; therefore, I will adopt the categorisation based upon the strategic management view as it is more practically convenient to identify between the subcategories:

- *Physical resources*; buildings, plants, materials, machines and equipment.
- *Human resources*; labour, routines, policies, culture, know-how and skills.
- *Financial resources*; monetary sources and access to finance.
- *Intangibles*; goodwill, patents and licenses.

In an industrial setting, companies establish relationships with each other in order to exploit and develop their resources (Turnbull & Wilson, 1989). The most apparent reason is the need to generate financial benefits using other companies' resources. For that purpose, companies seek and work with those firms that have complementary resources (Harrison & Hakansson, 2006). Therefore, the basis for the interdependence of companies in business relationships is the resources which they possess.

In other words, resources are at the heart of interdependence (Ford & Hakansson, 2006). The development of relationship strategy starts with analysing and exploring the interdependence of companies (Turnbull, Ford, & Cunningham, 1996). Interdependencies can be classified into three types: *series* or *sequential*, *pooled,* and *mutual* or *reciprocal* interdependency (Persson & Hakansson, 2007; Ford, Gadde, Hakansson, & Snehota, 2002). This classification is also used for identification of different type of relationships (Persson & Hakansson, 2007).

Developing a relationship means giving up, to some extent, control over resources and activities (Blois, 1996). Therefore, relying on other firms is usually considered as a negative consequence – a burden – of interaction. The classical market view suggests that actors often aim to avoid dependence on others. However, in the reality of a network of interactions, depending on others means dealing with their own problems, as actors seek dependence on others as a way of reducing the need to invest in their own resources (Ford & Hakansson, 2006).

2.4 Effects of relationships

A relationship is a jointly-undertaken interaction between two reciprocally committed parties (Hakansson & Snehota, 1995). It involves *mutual orientation, commitment* and *interdependence*, due to which business relationships can be described as "quasi- organizations" (Blois, 1971). Coupled with time, interdependencies help a business relationship create something that neither the seller nor the buyer can separately produce something that cannot easily be replicated (Hakansson & Snehota, 1995). Relationships help companies deal with problems of increasing technological dependence on others and the need to develop and modify offerings to more specific requirements (Hakansson & Ford, 2002). In other words, complementarity of objectives is a rationale for entering into a relationship (Harrison & Hakansson, 2006).

Relationships allow a more effective combination of resources. By knowing the supplier better and understanding what they can do and have to offer, it is possible to reduce costs and increase sales volume (Easton, 1992). A buyer in a close relationship also have fewer uncertainties because it can plan on the basis of its knowledge of the supplier's good and bad qualities. It also avoids the risks, costs and time of constantly having to find and deal with new suppliers. From the selling company's point of view, a well-established relationship results in more accurate sales projection, more effective flow of supplies, elimination of unnecessary processes and tighter quality control, all of which help reduce costs. In the markets where the perceived and incurred risk is very high, the relationship can also provide the two companies with reduced risk through sharing.

Gadde & Snehota (2000) made a critical distinction between two approaches regarding relationship intensity: high involvement vs low involvement. High involvement relationships feature close

connections between the parties in terms of activity links, resource ties and actor bonds. Low involvement, on the other hand, concerns relationships with limited links, ties and bonds. The development of business relationships requires adaptations to supplier offerings, activities and perhaps to supplier facilities as well as adaptations by buyers. The two companies are committed to establishing strong relationships if they are both willing to incur costs for these adaptations, which may not be symmetrical between companies (Ford, Gadde, Hakansson, & Snehota, 2011, p. 54)

Most descriptions of relationships emphasise long-termism. Many studies stress the necessity of mutual commitment and trust (Blois, 1998; Morgan & Hunt, 1994; Lenney & Easton, 2009; Dwyer, Schurr & Oh, 1987); commitment being a desire to maintain a relationship signified by a continuing investment, and trust being "an acceptance of vulnerability to another's possible, but not expected ill will" (Blois, 1998). In simple terms, commitment and trust encourage the partners to make investments into the relationship; to resist taking advantage of alternatives that provide short-term benefits; and not to behave opportunistically with regard to the relationship (Morgan & Hunt, 1994). According to Sheth & Sharma (1997), competitive advantages are the type of relationships between sellers and buyers. The underlying reasons for it are fourfold: increased cost efficiency, increased effectiveness, enabling technologies (e.g. JIT and EDI), and increased competitiveness.

2.5 Criticism of the ARA model

Whilst the interaction model and the ARA model have been acknowledged for their invaluable input to the understanding of business relationships, notable criticisms have also been raised. General models that are applicable across variety of industries could not be developed as theory is usually derived from individual cases (Brennan, Canning, & McDowell, 2011; pp 78). The ARA model is not analytically measurable, which significantly increases the complexity of conducting empirical research (Leek, Turnbull, & Naude, 2001). In addition, the IMP academics may not be necessarily in touch with the realities of business markets and management practice (Leek, Turnbull, & Naude, 2001). Möllera, Nenonenb, & Storbackab (2020) argues that the key reason for the scepticism concerning B2B marketing theory is its detachment from real-world phenomena, which in turn weakens the theoretical grasp of the environmental context of marketing and business strategy.

> *The elements of most theories and many models are necessarily abstract and parsimonious. They have to allow for the elements to be related to one another logically in order to explain events; that is to say to offer some insights into the phenomenon of interest. But to begin to offer explanations the elements of the model have to be operationalised. In the case of the ARA model for example it has to be made clear when analysing data who are the actors, what are their activities and with which resources they interact. In other words, there has*

> *to be a bridge between the theoretical and the empirical. It may be that the generality of the ARA models is simply too great for potential users* (Lenney & Easton, 2009).

The ARA model offers the possibility of a versatile but very conceptual explanation on analysis of business relationships. Hakansson (2009) admittedly writes on the drawback of the model:

> *The ARA model should accordingly be seen as a basic model trying to give a picture of the main components of how single business relationships are related to the larger business network. The ARA model is certainly not the final way to conceptualize business relationships, but it has a very specific message in the identification of the three layers and their different logics. It makes the model difficult (maybe impossible) to test in empirical studies. But, the ambition was not to develop such a specific model but to give a frame of reference where different important factors are related to each other. When we have made more detailed studies of activities or resources, more specific conceptual tools have been developed*.

As posited by many IMP writers (e.g. Ford, 2011; Ford, 1998; Valla & Salle, 1997), IMP work is almost exclusively descriptive and it lacks managerial relevance. Similarly, the ARA model does not provide a useful methodology as to how to exploit, test and validate it in a practical setting. In other words, the model offers a very conceptual and profoundly theoretical frame of reference; it adeptly explains rich contents and ubiquitous constructs of business relationships, but it does neither implicitly nor explicitly tell us what to do with them.

3. Research methodology

3.1 Introduction

The research process of this thesis is constructed upon "*abductive approach"*, the associating rationalities of which are discussed in this chapter. Therefore, the implications of conducting a case study research are addressed prior to the discussion of abduction and particularly its derived methodology of research; *systematic combining*.

The research was carried out within a manufacturing company selling natural stone tiles & slabs to business customers around the world. Although I executed this research within a case involving this company that I have been managing, my empirical data have been collected from many cases that I directly observed as a participant and practitioner. My research mainly focuses on finding general strategies of developing new business relationships and improving the existing ones, and to what degree these relationships can reach. Therefore, I define an event as a case where the selling firm initiates (or attempts to initiate) a relationship with a buying firm in order to sell products as part of its offering or where the selling firm wishes to enhance an existing relationship with a current customer.

3.2 Qualitative vs. quantitative: a case for case study research

The case study approach has rarely been recognised as a proper scientific research method. The main argument against it has been that case studies do not provide an adequate foundation for scientific generalisation (Yin, 2003). However, to an increasing degree, the case study approach has recently become a common methodology in many scientific fields, since case studies are now evolving insight that findings are unstable over time (Weick, 1979). Therefore, what was previously regarded as a problem is now recognised as an opportunity (Dubois & Gadde, 2002).

Yin (2003) defines a case study as ''an empirical inquiry that investigates a contemporary phenomenon within its real-life context when the boundaries between phenomenon and context are not clearly evident and in which multiple sources of evidence are used''. He also mentions the existence of single and multiple case studies. In organization and management research, Eisenhardt (1989) emphasizes the intrinsic potentiality of case studies in securing the dynamics of the researched phenomenon. ''The case study is a research strategy which focuses on understanding the dynamics present within single settings'' (Eisenhardt, 1989). Lee (1989) defines an organizational case study ''as an intensive study of a single case where the case consists of the individuals, groups, and social structure in the setting of an organization''. Easton (2010) describes case study as "a

research method that involves investigating one or a small number of social entities or situations about which data are collected using multiple sources of data and developing a holistic description through an iterative research process".

Social sciences deal with open systems, which cannot easily be conceptualised in the same way as positive sciences, the objects of which can comfortably and artificially be controlled or replicated. Survey-based approaches assume that social phenomena are measurable and easily dividable into smaller units. However, case-based approaches have different concerns. There are no ready-made ways to break down the social world. The task of the analyst is to progressively construct the context and boundaries of the phenomena under investigation, as theory interacts with methodological decisions and empirical observations. The research object, its boundaries and context are often emergent outcomes of the research process (Dubois & Araujo, 2007).

Compared with statistical methods, case-study researches provide depth and comprehensiveness for understanding a specific phenomenon (Easton, 1995). The possibility of being close to the subject of the research i.e. firms and actors brings about an inductive and rich description (Halinen & Tornroos, 2005). Case research is particularly welcome in new situations and in situations where prevailing theories are regarded as inadequate (Easton, 1995; Eisenhardt, 1989; Yin, 2003).

Best practice rests with unambiguously identifying the purpose of research and developing theory before data collection; determining whether the case is a single or multiple case study; using multiple sources of evidence (possibly including quantitative methods) to converge on a particular explanation; following standards of triangulation (Piekkari, Plakoyiannaki, & Welch, 2010). Dubois & Gadde (2014), however, argues that it may be exactly the opposite of selecting a case for analysis of predetermined questions, and when interesting empirical observations are present, researches become connected with "a particular reality that provides opportunities for identification of exciting research phenomena".

Despite Yin's pervasive influence, the discussion on research methodologies in the field of B2B marketing is marked with multiple views (Piekkari, Plakoyiannaki, & Welch, 2010). Easton (2010) posits that case study research is the prevalent research method employed by industrial marketing researchers. The main units of analysis are organisations and relationships, which are difficult to access, and complex in structure in comparison, for example, consumer markets. Halinen & Törnroos (2005) concludes that "it is obvious that case strategy is most suitable for the study of business networks. It allows the study of a contemporary phenomenon, which is difficult to separate from its context, but necessary to study within it to understand the dynamics involved in the setting".

This study analyses business relationships within the context of IMP (International Marketing and Purchasing Group) school of thought. Methodologically, the IMP research tradition began with a rather large survey, gathering data on more than 1000 customer–supplier relationships through interviews with buying and selling firms, interviewing multiple respondents in the companies involved (Hakansson & Snehota, 2002). Between 1984 and 2012, a number of studies trailed the initial work, tackling a variety of aspects centred around one IMP's key concept: "relationship". The majority of these studies were case studies examining the outcomes of ongoing B2B relationships for the firms involved. Therefore, case studies emerged as the leading methodological research approach in industrial marketing studies (Easton, 2000). Requoting Easton (2010), organisations and relationships are in fact difficult to access, and their structure is complex compared to consumer markets. Case research thus became the primary tool (Dubois & Araujo, 2007) among industrial network researchers because, given its specificities (Easton, 1995; Eisenhardt, 1989; Yin, 2011) and challenges (Piekkari, Plakoyiannaki, & Welch, 2010), it was found to be the most appropriate approach to study business networks (Halinen & Tornroos, 2005).

3.3 Single case vs. multiple case

It is generally accepted by numerous authors that studies involving multiple cases provides superior explanations than single cases (see e.g. Yin, 2003; Eisenhardt, 1989). However, recent trend in an industrial setting indicates that the reason why some researchers employ multiple cases is to do with their archaic reliance on statistical inference and the notion that situation specificity is considered a weakness (Dubois & Gadde, 2002; Easton, 1995). It is undeniable that many advantages are gained by increasing the number of cases in a case-study research but certain significant disadvantages unavoidably emerge as a by-product. In B2B research field, this trade-off might result in negative effects. Moreover, if research questions of a study are focused on appraisal of a few specific variables, then it would be quite comprehensible to widen the number of observations compared. In these circumstances, the research can also be designed to allow for statistical inference. In contrast, when the research problem can only be answered by way of analysis of interdependent variables in complex structures, it is quite logical to go deeper into one case instead of multiple cases (Dubois & Gadde, 2002; Easton, 1995). It is difficult to understand how a little depth could contribute to the analysis of any problem. Easton (1995) rightfully maintains that "They seek to do a number of case studies as if greater numbers, by and of themselves, increased the explanatory power of what they have been doing. Researching greater number of cases, with the same resources, means more breadth, but less depth".

Dubois & Araujo (2007) argues that multiple case designs present a number of challenges to researchers and illustrate a variety of problems in relation with research design and method

justification. They express that "using a multiple, comparative case logic the analysis would not have dealt with each case as independent observation, but instead would have tried to explain the causal paths that produced a particular outcome for each case. The case research logic relies on finding causal relationships *within* each case rather than by selecting, measuring and comparing a number of attributes *on* each case".

Researchers seeking new understandings of interaction in an industrial business context, which is observed inside an existing real-life network setting, are dealing with a concept that is elusive (Andersen, Medlin, & Törnroos, 2020). Dyadic relationships and therefore business networks as a focus of study tend to increase the complexity of research in many ways. Business networks always involve multiple actors, which results in the proliferation of potential access problems and excessive workload in data gathering. Halinen & Törnroos (2005) suggests that a single-case study is an appropriate design for dyadic business relationships for many situations. Since the aim of providing complete explanations for business networks to learn about their nature is such a challenging mission, a single-case research is usually the only available option. The dynamic and ever-changing connectedness of firms within a business network means higher number of actors interact with each other, therefore the complexity of business relationships results in more depth in studies. Moreover, context specificity and the study of network processes complicate the case study in all its phases. "All this means that single-case designs often are not only appropriate, but are also unavoidable" (Easton, 1995).

Interaction is a pretty challenging concept to define, let alone research, because the concept is strongly temporally loaded. Even longitudinal studies are problematic, because what constitutes an interaction depends on conceptual understandings and threshold assumptions with respect to actors, context, events, activities, resources, relationships and the network (Andersen, Medlin, & Törnroos, 2020). While discussing issues with business interactions, Ford & Hakansson (2006) unwittingly makes a case for single case research: "Another problem for the researcher studying interaction is that it is not evenly distributed over time. Interaction is likely to be "lumpy", so that there are periods of more intense episodes of interaction than others. It is also difficult to characterize what defines a single "episode" of interaction or to find a neat way to identify its boundaries or when it starts or finishes". In other words, an industrial marketing researcher should devote sufficient time to a particular case when observing this case so that "intense" events are captured as well as routine ones so that the data collected present normality of the researched subject.

Although this thesis was conducted within one company, there were many cases that presented significant empirical records that contributed to the entire data collection. The focal point -the company- remained unchanged but the reciprocating parties were different, which helped the

findings to be triangulated and validated at every iteration process. However, the case that is in analysis is selected with a certain criteria applied, which is discussed in Section 4.6.3, after the formation of the thesis' framework.

3.4 An abductive approach: systematic combining

It is advocated by many researchers (e.g. Eisenhardt, 1989) that social sciences are divided between two polar opposites: exploratory/inductive and confirmatory/deductive research. Induction and deduction are often referred to as alternative, and to some degree contrasting, research approaches. Basically, inductive reasoning begins with endeavour to grasping reality and deductive reasoning begins with an existing theory base (Dubois & Araujo, 2007).

Many researchers are critical of case studies as a proper scientific methodology. Yin (2003) argues that a case study investigator is careless when they "allow equivocal evidence on biased views to influence the direction of the findings and conclusions". Easton (1995) identifies case study methodology with three types of weaknesses. Weick (1979) states "many pseudo observers seem bent on describing everything, and as a result describe nothing". For solving this kind of problems with case study research, a reasonable insertion of theory is recommended in order to keep certain intellectual control over evolving case descriptions (Easton, 1995; Weick, 1979, Dubois & Gadde, 2002). Even though Yin (2003) is critical of case study research, he also argues that it is seen as a specific research strategy which can involve both deductive and inductive elements.

In the IMP tradition the choice of case research follows from theoretical notions and case studies are found to be providing opportunities to challenge theory with empirical data with the aim of capturing relevant features of a case through a particular framework (La Rocca, Hoholm, & Mork, 2017; Dubois & Araujo, 2007). Many studies in the IMP stream of research have been inspired by the so-called "systematic combining" – an "abductive approach" to case research described as a "nonlinear, path-dependent process of combining efforts to match theory and reality" (Dubois & Gadde, 2002).

Dubois & Gadde (2002) propose systematic combining, which is founded upon abductive reasoning. "An understanding of the characteristics and consequences of case studies based on abduction thus requires an integrated approach, because the main difficulty of case studies is handling the interrelatedness of the various elements in the research work (ibid, p.555)".

Systematic combining is characterized by a continuous movement between an *empirical world* and a model world (*case*). The analytical *framework* is preconceived and preliminary but over time it is remodelled according to what is explored through empirical fieldwork, analysis and interpretation. "The researcher, by going "back and forth" from one type of research activity to another and between

empirical observations and theory, is able to expand the understanding of both theory and empirical phenomena (ibid, p.555)". Through this *direction* and *redirection* of both theory and data gathering, a *matching* between theory and reality is finally accomplished (Figure 3.1*: Systematic combining (Dubois & Gadde, 2002)*).

Systematic combining builds more on refinement of existing theories than on inventing new ones. Case study methodology with the systematic combining approach is considered suitable using the industrial network paradigm, with a special emphasis on theory development, rather than theory generation. It is therefore appropriate with the desired research process of this thesis.

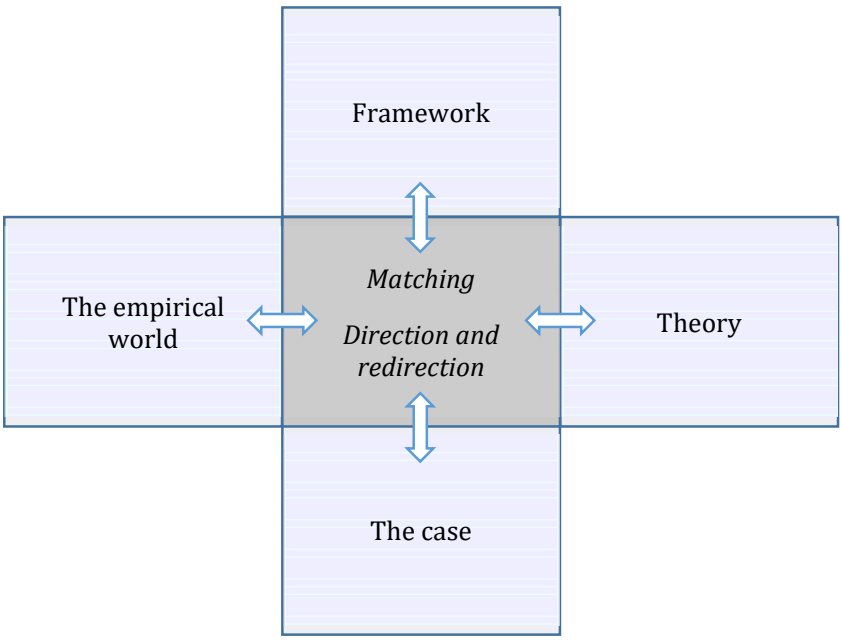


Figure 3.1: *Systematic combining (Dubois & Gadde, 2002)*

The starting point that resulted in the first redirection was subsequent to the comprehensive theoretical investigation of the ARA model and the information gathered from the first cycle of observations. The ARA model offered a conceptual guidance in defining relationships but the related theory did not propose operational fundamentals as to how the theory could be implemented into the practice; the "how-to" guide. The first redirection was principally a guide, which enabled the research methodology to form. The empirical data mainly collected through interactions with customers, suppliers and many related parties in construction sectors around the globe. At that moment, the theoretical concentration was placed on the analytical evaluation of how ARA model

suited to the reality and how existing business relationships affected the way the parties reacted to events shared.

It is widely supported by scholars that commitment and trust are key components of a business relationship because they encourage partners to make investments into the relationship; to resist taking advantage of alternatives that provide short-term benefits; and not to behave opportunistically with regard to the relationship (Morgan & Hunt, 1994). However, what I observed in my surroundings did not conform to this view. Buyers were behaving opportunistically, and sellers were not prepared to make specific investments into any customer account. This was totally contradictory with the prevailing theory. The second redirection, therefore, focused primarily on the empirical consequences and how I could bridge the gap between the theory and the reality. This thinking led to a discovery that the market which the supplier was part of, directly influenced the relationship between this supplier and its customer. In other words, the conditions of the supplier market were the underlying factor to the quality of potential and existing relationships. The upper market of any customer, to a large extent, determined how strong the business relationship with its supplier could be. Within this context, a need to categorise business relationships was brought about. Inputs from customer portfolio models were required. The theory started to *develop*, rather than to *generate*, as consistent with abductive approach. As I was spending more time in the industry, rather than across different industries, the depth I reached to was complementary to the analysis of my research subject. Therefore, I decided against investigating my findings yet in other markets. Instead, I endeavoured to validate my discoveries in the same context, but with different actors and different buyers. With that in mind, the third redirection began with an attempt at finding a solution to a problem that I could not answer for some time: how the ARA model could be used in improving existing relationships or initiating new ones. In other words, whether I could come up with a generic framework which really needed to place the constructs of the ARA model into its centre, since the ARA model explains relationships. A period of analysis followed the third redirection. This period led to the explicit introduction of the process mapping into the framework (as will be explained in Section 4.4.1).

As a result of the constant redirections between the theory and the reality, I was able to create with a 5-step framework that offered a guidance for initiating new relationships and improving existing ones. The framework consists of two novel notions and related tools, *relationship capacity* and its derived *matrix*; and *relationship index*. I believe an ultimate *matching* between theory and reality has been achieved as a result of these redirections and the matching attempts.

3.5 Data collection

In case study research, multiple data collection methods are employed (Eisenhardt, 1989), since several types of sources are seen significantly complementary to the study and are regarded as a major strength (Yin, 2003). However, single sources of evidence can be and have been the sole basis for entire studies (Eisenhardt, 1989; Yin 2003). In this thesis, the principle method of data collection is based on participant observation. It involves observation, natural conversation, informal interviewing, writing detailed notes and most importantly patience, as it is time consuming (Dewalt & Dewalt, 2002). Participant observation is the process that enables researchers to learn about the activities of the phenomenon under study in the natural setting through observing and participating in those activities. It can also be defined as "the process of learning through exposure to or involvement in the day-to-day or routine activities of participants in the researcher setting" (Schensul, Schensul, & LeCompte, 1999). Participant observation particularly provides opportunities if the researcher has a background in the context that they are participating in (Riemer, 2012).

Participant observation made it possible to gather data that indicate how central parts of the relationship establishment/enhancement process unfold over time. A unique timeline could thus be constructed for the case. Throughout the observations, I kept a record of detailed descriptions of unique meetings, natural conversations, and informal interviews that could contribute towards analysis of the research questions. This kind of process study strives to ascertain situations that potentially create a particular twist or turn in a case, and to capture the flow of incidents in a narrative that explains the development in a case over time. As the importance of depth was discussed in the chapter of "Single case vs. multiple case", with the participant observation data collection method, I was able to reach adequate depth that required due to the complexity of business relationships. I was, since the inception of my research, against using formal interviews as data source, as interviewees produce responses that should be seen as "presentational data – manufactured image of idealised doing" rather than "operational data" obtainable from observation and documentary material (Woodside & Wilson, 2003).

The main objective of any research is to confront theory with the empirical world (Dubois & Gadde, 2002). As case studies in industrial marketing are typically undertaken in the world of practitioners, who deal with real management problems, they possess the potential to create knowledge that will be regarded as useful by practitioners (Dubois & Gibbert, 2010). Being a practitioner, as my job involved *selling* to other industrial organisations, I have been gathering empirical data from those customers, suppliers and those in the industry that I have been in touch with over the years, that are from all sorts of backgrounds, positions and locations around the world. As I was discussing real-life problems and situations, I was also able to simultaneously gather data for my research. My normal

business practice inherently calls for recording notes of meetings, correspondences of emails, and phone conversations, which are automatically or manually entered onto the CRM/ERP system of the company. These recordings enabled me to have a strong base of data for my research, which I could always go "back and forth" whenever I felt the need to access them as these data, in business sense, had to be properly archived at the company. In addition, anytime I had a question to ask to any of my contacts, I could speak with/email them about the situation I wanted clarifying, my contact would respond me very openly as they would not feel abnormal towards me as to why I should be enquiring about these questions since I was a person that they had been doing business with. In short, at no point did I disclose my intention of research in order not to disrupt normal activity, which was extremely important to acquire natural, unreserved and unbiased data from those contacts.

The empirical data have been collected over a period that is longer than 10 years and still ongoing (since 2004, as of 2019). Up to 2011, the observations had taken place in the UK, focusing on customer base that were usually small-sized retailers with exception of only a handful of chain clients that distributing or contracting nationally. Since the inception of the manufacturing plant in 2011, the company had access to markets around the world, therefore I was able to obtain data from different markets of the globe. The concentration of the clientele, however, was in the affluent Gulf States, developing Ex-Soviet Nations and the US, not to mention the UK, of course. These global customers were larger in size than those that had been observed between 2004 and 2011.

When interacting with an existing or potential industrial customer, depending on how they could be identified (e.g. wholesaler, retailer, contractor) specific questions were asked. These questions helped in the business and research sense. For instance, typical questions would be:

- What is so important for you? Price, quality, service, inventory, short lead-times, consistency in product, communication ability with the supplier?
- Can you define service?
- If some supplier offers you the product (*the product would be specified during discussion*) at a cheaper rate, would you sacrifice your long-standing relationship with the supplier (*after asking who they had been dealing with in regards with the product specified, and for how long they had had the relationship?*)
- What problems have you had with your existing suppliers and how did you resolve them?
- What do you expect from a supplier aside from reasonable price, good quality and decent level of service?
- What specific things (*in linking activities*) do you wish a supplier to take care of on your behalf?

3.6 Trustworthiness and credibility

All research methods have their own advantages and disadvantages. However, Yin (2011) suggests that in order to build trustworthiness and credibility into any qualitative research, *transparency*, *methodic-ness*, and *adherence to evidence* must be demonstrated.

3.6.1 Transparency

"The first objective for building trustworthiness and credibility is that qualitative research be done in a publicly accessible manner. This first objective means that you must describe and document your qualitative research procedures so that other people can review and try to understand them. All data need to be available for inspection, too. The general idea is that others should be able to scrutinize your work and the evidence used to support your findings and conclusions. The scrutiny can result in criticism, support, or refinement. Moreover, any person, whether a peer, a colleague, or a participant in your qualitative research study, should be able to undertake such an examination. In this manner, the final study should be able to withstand close scrutiny by others" (Yin, 2011).

The study is centred upon a multi-company case, which provides ample empirical data collected over a lengthy period. The companies subject to the cases are still trading (as of 2020); a plenty of data is available on the internet; therefore, a corroboration can easily be obtained. Furthermore, the cases are comprehensively described with a chronology of events in a way that the induction that led to the *redirections* can clearly be followed.

3.6.2 Methodic-ness

Yin (2011) refers to methodic-ness as a study having a defined research design, avoiding deliberate distortion in carrying out research and bringing a sense of completeness to a research effort, as well as cross-checking a study's procedures and data.

Real business life requires to be systematic, from strategic level to every day routines. Data collection, whether or not they were being recorded for the use of the business or the research, was undertaken systematically. The usual business records were kept on the CRM system of the company, while the specific research notes were kept separately. The consistency was always checked between those data at the CRM system, and those kept for the research. If/when there was any discrepancy between the data, due to the contact's familiarity, phone calls were made or emails were sent to clarify these discrepancies.

The research followed a clearly designed research methodology in the name of *systematic combining*. The study begins with a base theory – the ARA model – and then moves onto the case, which leads to discovery of the gap between the theory and the reality. Subsequently, the theory is expanded with the interplay between the ARA model and the environment of seller and buyer, which provides a novel insight into the formation of business relationships. This expanded theory is tested with the second case and triangulation is achieved. However, this case brings about a phenomenon to be examined, which leads to another *redirection*. As a result, the theory is further developed with the insertion of the principles of the customer portfolio models and manipulation tactics in order to identify processes where seller tactics can be applied to positively influence relationship building or enhancing. The case offers the opportunity to validate the further developed theory – now a framework – and final *matching* of the theory and reality achieved.

The focus of the research is on a dyad between seller and buyer; specifically what strategies could be used in establishing new business relationships by succeeding in beating the competition and by becoming preferred partner by buyers, and in enhancing existing ones that can minimise any possibility that buyers could begin new relationships with other competitors and sacrifice the existing. Any work undertaken, and data collected, any theory reviewed are delimited to this focus, and therefore this study attempts to find answers to the research questions discussed in Section 1.3.

3.6.3 Adherence to evidence

The final objective is that qualitative research be based on an explicit set of evidence. Regardless of the type of data being gathered, the conclusions of the research should be drawn in reference to those data (Yin, 2011).

Attention to detail – before, during and after the data collection – made it possible to use the datasets as they were. This meant it was possible to identify direct interaction effects between the company and its customers. Much time was devoted to "unlocking the data", for which systematic combining was adopted. While it was relatively straightforward to use the data at a strategic level, making the transition to the tactical level required greater consideration. During the course of the lengthy data collection period, the main themes arising from the informal interviews were discussed with certain colleagues to obtain their view on the phenomena, this enabled a type of triangulation that is well supported in a practical sense. Additionally, secondary data, where possible, was used to corroborate with the data gathered through different cases. Therefore, every effort was made to ensure that data was collected rigorously and the research was directed properly as the data was being unlocked. The conclusions of the research were discussed in reference to the plenty of data empirically collected over a lengthy period.

3.7 Emerging research framework

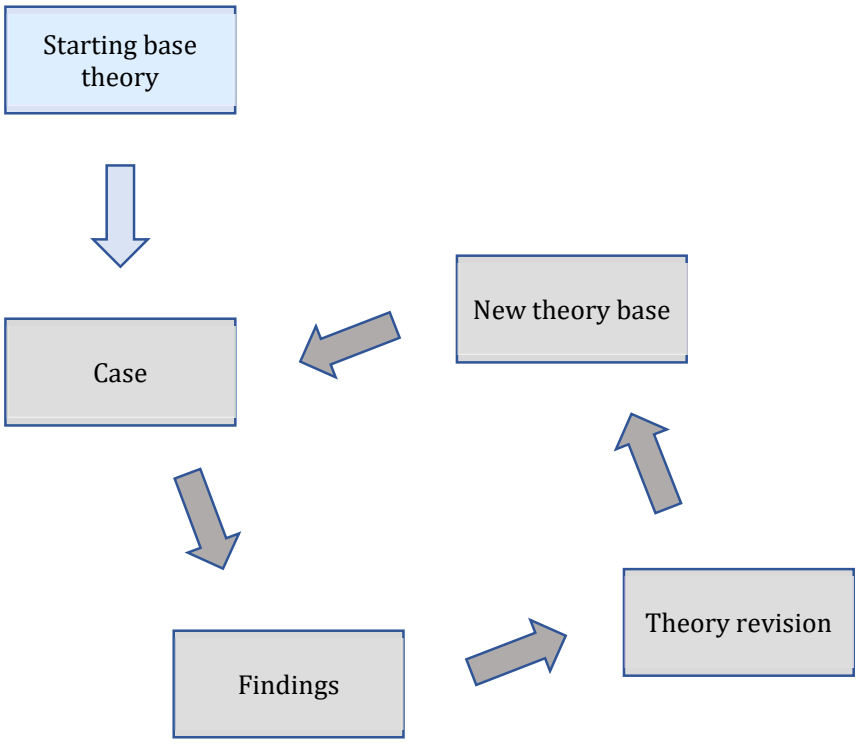


Figure 3.2: Emerging research framework, adapted from Dubois & Gadde, 2002

In the lights of the discussion relating to the research methodology of this thesis, Figure 3.2 indicates the emerging research framework:

(1) The study begins with a theory base, which is in general drawn from the principles of business relationships and network, in particular interaction approach, the ARA model and the portfolio models (see Chapters 2 & 4).

(2) Using this starting point, the emerging theory is then applied in a practical setting, which is in the case of a firm that is involved in manufacturing and distribution of natural stone products.

(3) Subsequent to the data gathering based upon the participant observation, the theory may not be wholly relevant, therefore a theory revision, as a result of the findings from the data analysis, may need to be made. This theory revision contributes to the original theory base, and a new theory base is developed.

(4) New theory is tested with the case.

This iteration process, then, can continue until such time that the findings generally corroborate with the new theory base that is developed from one previous round of iteration. The chronology of major redirections is presented in Table 3.1, indicating the main theory bases that are used in this research and the results of the theory revisions.

Table 3.1: Redirections, the main theory bases and development of the new theory

Theory	Findings from reality	Theory revision	New theory
ARA model	The model could not be applied into practice. No methodology was offered to operationalise the model. How to use the model's explanations was not known. I needed a framework that guided how to develop business relationships. The theory did not offer any base upon which relationships were formed. It only tried to explain *existing* relationships.	The diversity that supplier market exhibited made an impact on relationship development. If the product was simple and undifferentiated, buyers exercised high bargaining powers.	Definition of variation of offerings in supply market
Purchase-related factors and Interaction approach	Interaction approach focused on episodes, exchanges and therefore purchase-related factors, some of which presented dependency on each other. Some of the factors did not make any difference on the relationship value.	I experienced that relationships were founded upon purchase related-risk, the variables of which were the importance of purchase and the possible outcome of purchase.	Identification of relationship capacity
Customer portfolio models and manipulation tactics	Tactics for initiating relationships were needed, and prevalent customer portfolios offered classifications for deploying resources effectively. The relationship classification offered by the models were not accurate and did not classify relationships in a logical way. The tactics offered were too vague.	Adding importance of purchase to variation of offerings, a classification of relationships could be made. With the classification, certain general guidance was offered.	Formation of relationship capacity matrix and relationship matrix

4. Proposed approach: bridging managerial dimensions

4.1 Introduction

Industrial marketing literature plausibly focuses on dyadic relationships that are strategic to both buyers and sellers; studies about key relationships have been conducted to date in abundance. However, not all business relationships can be strategic and do not need investments of resources, adaptations or commitment. In business worlds, where strong relationships exist, simple two-party commercial exchanges are also present. Practitioners and academics use relationship portfolio models, by which clusters of business relationships could be identified. Many prevalent portfolio studies have adopted dyadic approach to management of customer-supplier relationships (Araujo, Gadde, & Dubois, 2016; Vesalainen & Kohtamaki, 2015; Fiocca, 1982; Kraljic, 1983; Olsen & Ellram, 1997; Turnbull & Zolkiewski, 1997; Donaldson & O'Toole, 2000). In the industrial marketing research, relationship portfolios are regarded as significant tools for understanding and evaluating supplier-customer relationships (Zolkiewski & Turnbull, 2002) in order to determine an appropriate relationship development strategy for a given customer relationship (Ritter & Andersen, 2014). In general, the main reason for using portfolio models is the notion that firms must decide which relationships are worth more investment, thereby utilising scarce resources more effectively (Corsaro, Fiocca, Henneberg, & Tunisini, 2013). A robust typology of buyer–supplier relationships should benefit both managers and scholars by organising and consolidating large amounts of information about the relationship configurations into convenient categories easier to process and comprehend. The typologies support the description, analysis, and understanding of the consequences of different approaches to managing the supply chain, therefore they are useful to managers in guiding their supplier management decisions. However, there is a growing consensus on the limitation of the current portfolio models. One of the main criticisms results from practicality: having recognised the significance of portfolios, they are created on theory rather than applicability (Zolkiewski & Feng, 2012) and therefore little attention has been paid to operationalise them. In other words, from managerial points of view, the “how-to” questions have been widely neglected (Wagner & Johnson, 2004). In addition, according to the ARA model (as reviewed in section 2.3), business relationships are explained in terms of three layers of substance and interestingly, none of the portfolio models has even considered to integrate them into the mix of variables and/or explains the results of the portfolio analysis with it.

It is the intended contribution of this chapter to present a practical relationship portfolio model for managing business relationships. In doing so, the notion of relationship capacity is introduced as a novel concept. Then, a 2-dimensional portfolio matrix is presented. The proposed model, despite being a customer portfolio matrix, approaches to the analysis from a different angle and evaluates

the position of the focal selling company in comparison to its rival firms. As a result of the classification process, it offers guidance for relationship development, taking into account the layers of the ARA model, including strategies for routine exchanges which lead to relatively weaker relationships.

4.2 Review of buyer-seller relationship portfolio models

The theory on business relationship typologies to date is underdeveloped (Vesalainen & Kohtamaki, 2015). A small number of relationship portfolio approaches have been developed in recent years (Araujo, Gadde, & Dubois, 2016, Vesalainen & Kohtamaki, 2015, Donaldson & O'Toole, 2000; Fiocca, 1982; Shapiro, Rangan, Moriarty, & Ross, 1987; Krapfel, Salmond, & Spekman, 1991; Olsen & Ellram, 1997; Turnbull & Zolkiewski, 1997). The main goal of portfolio approaches is to assist managers to redeploy from a product orientation towards a relationship focus and thus to invest their resources in the most efficient and effective way (Zolkiewski & Turnbull, 2002). However, studies note the lack of understanding how the main dimensions of relationship development interplay to create strong relationships (Vesalainen & Kohtamaki, 2015; Tangpong, Michalisin, & Melcher, 2008). Nevertheless, the limited existing theory base offers a valuable foundation for understanding relational structures between firms.

The models that have been developed to date consist of both two and three-dimensional axes along with single, two and three-step analysis phases. However, in general, the models follow a standard procedure in building them: they first propose a novelty then reproduce the model using the novelty and finally draw recommendations for different classes of customer relationships that are produced in the model (Tsybina & Rebiazina, 2013). Tangpong, Michalisin & Melcher (2008) note that portfolio models seem to evolve around two main approaches: the relational content-based approach and the dependence-based approach. The relational content-based approach is based on the view that relational contents of relationships, such as cooperation and trust, act as governance mechanisms and play a major role in limiting opportunism and reducing transaction costs. The dependence-based approach is based on the power-dependence perspective such as transaction-specific investments, dependence, and power. The degree of dependence is the basis of power in relationships, whereby the less dependent party has power over the other.

Reviews of the portfolio models have been conducted in abundance (Day, Magnan, & Moeller, 2010; Zolkiewski & Turnbull, 2000; Leek, Turnbull, & Naudé, 2006, Rajapogal & Sanchez, 2005). Various works have also been undertaken to test the models (Turnbull & Topcu, 1994; Turnbull & Zolkiewski, 1997). The most significant of these models are briefly and critically reviewed in this section from two points of view: dyadic business relationships and applicability of the model in real situations.

Fiocca (1982) proposed a two-step portfolio analysis. It argues that selling firms first need to analyse their customers at a general level, using two dimensions: strategic importance and difficulty in managing of customers. The second phase of model also requires two dimensions but it scrutinises the key accounts identified in phase 1, using business attractiveness and strength of relationship as units of the matrix. The model classifies relationships according to customers' importance and evaluate the key ones in the second step: such analysis does not take into account non-key customers and does not offer any guidance for them. The second issue with the Fiocca (1982) model is well documented in studies. Dimensions used in the first and second steps require both subjective and actual values, therefore the mixture of such values make the calculations difficult (Zolkiewski & Turnbull, 2000). The one-step matrix portfolio model of Shapiro, Rangan, Moriarty, & Ross (1987) focuses on customers as profit centres, therefore customers are classified in terms of profit they provide to the selling organisation. The dimensions used in the 2x2 matrix were net price and cost to serve, both of which were left to the discretion of the analyst. The subjectivity in general was criticised by a number of academics but the classification matrix was found useful in practice (Zolkiewski & Turnbull, 2000). Interestingly, in case a customer has different departments buying from the selling firm, these buying centres may be placed in different grid positions in the matrix, therefore the matrix may propose an interactive perspective and relational aspects of buyers and sellers can be visualised and their links can be established. Shapiro, Rangan, Moriarty, & Ross, (1987) argue that the position of any one account is likely to change over time from one segment to another, which reflects a dynamic attribute of the portfolio model. Krapfel, Salmond, & Spekman, (1991) embrace a two-step approach and use two dimensions in the first step to analyse customer-supplier relationships; interest commonality and relationship value. In the second step, based upon the interplay between perceived power position and interest commonality, they propose relationship management strategies for six different grid positions. In Krapfel, Salmond, & Spekman (1991) work, the axes in are much more subjective to define and measure, whereas Shapiro, Rangan, Moriarty, & Ross (1987) model is relatively more convenient (Rajapogal & Sanchez, 2005). Olsen & Ellram (1997)'s work was essentially a supplier portfolio analysis and the model discusses a three-step analysis of business relationships. the first step involves the portfolio analysis of the purchases of the company on a matrix, with difficulty of managing purchase situation on one axis, and strategic importance on the other. The second step applies 3x3 matrix with two dimensions: supplier attractiveness and strength of relationship. The authors suggest that the portfolio segmentation could be improved by characterising each relationship with a circle, the size of which indicates the current allocation of resources to that relationship. However, they do not specify what is meant by resources. The last stage comprises the result of earlier matrices, based on which they suggest appropriate action plans for developing business relationships. Following the author's analysis of the matrices of Shapiro, Rangan, Moriarty, & Ross (1987) and Krapfel, Salmond, & Spekman (1991), Turnbull & Zolkiewski (1997) suggested a three-dimensional matrix for customer portfolio analysis.

They combined the dimensions of the aforementioned models, with the units being net price, cost to serve and relationship value. They argue that using a three-dimensional matrix provides a more comprehensive outline that can be obtained from using only two dimensions. For instance, using two dimensions gives only four sets of data compared to eight classifications in this model. Managers can then decide which relationships need developing and/or maintaining and which need to be dropped. Migration of customers from one class to another can be observed over time as in Shapiro, Rangan, Moriarty, & Ross (1987) model.

In addition to these classic models widely studied and academically credited, recent studies on relationship portfolios offered nuanced views on classifying the relationship involvement. Donaldson and O'Toole (2000) developed a 2×2 matrix for analysis of relationship strength, ranging from opportunistic to bilateral. Tangpong, Michalisin, and Melcher (2008) applied a similar matrix based on the degree of 'relationalism' and the degree of dependence, where low-low in the two dimensions was characterised as market exchange and high-high as a 'constrained link', indicating dependence between the parties and limited influence from the outside. Similar to the matrix geometry of Turnbull & Zolkiewski (1997), Vesalainen and Kohtamaki (2015) challenged the traditional unidimensional relationship scale and introduced a classification for buyer-seller relationships based upon three dimensions: structural, economic and social. In their empirical work, they found eight different relationship configurations along the three dimensions. Some of these configurations are in line with established typologies: transactional, intermediate and partnerships, while others fall outside them: social, balanced, unbalanced, enabling and structural. Finally, Araujo, Gadde, and Dubois (2016) proposed a categorisation of buyer-supplier relationships based on the interfaces between the resources of the two parties, distinguishing between standardised, specified, translational and interactive interfaces.

4.2.1 Critical discussion

The anticipated output of any portfolio approach is to assist managers with formulating a strategy and deploying limited resources for improving their customer relationships. Only few of the models provide any guidance on what to do with the results of a portfolio analysis (Krapfel, Salmond, & Spekman, 1991; Olsen & Ellram, 1997). After dividing relationships into nine categories, Olsen and Ellram (1997) propose three types of action plan, however they also state that a number of additional variables need to be considered in action plans (e.g. product life cycle, the technological situation of the company, and network position) but do not include these variables in their evaluation. Also, some of these additional variables may be problematic such as product life cycle, as a number of authors have discussed these variables in length. On the other hand, the model developed by Krapfel, Salmond & Spekman (1991) provides four categories of relationship and six modes of management

which map onto them. The action plans and management modes are unsurprisingly vague as without the particulars of a specific firm and its relationships it is not possible to be prescriptive.

The variables used within the aforementioned models are a mix of qualitative and quantitative units, and they can be defined, measured and interpreted in a number of ways. For this reason, whilst the results may be useful for generating an approximate and conceptual guidance for determining customer classifications, their ability to provide a more detailed analysis may be limited. Leek, Turnbull & Naudé (2006) states that "in order to produce clearly defined clusters, ideally the variables need to be concisely defined. Clear definition and measurement of variables should remove the inconsistencies inherent in the subjective interpretation of variables over time". The bulk of the variables in the models are associated with various characteristics of the outcome of the relationship e.g. price, strategic attributes or value. This might lead to portfolio models based upon these characteristics to generate a deceptive taxonomy of relationships. For instance, a customer that is undercharged (low net-price) with high costs of service falls under "aggressive" category in the matrix of Shapiro, Rangan, Moriarty, & Ross, 1987 (they use the example of "Proctor & Gamble"). However, even though the customer may be undercharged, the seller might have established a key relationship with them. Similarly, the result of the classification does not reveal whether the undercharged price stems from the process of the relationship. As a consequence, the classification might produce misleading implications. Only Fiocca (1982) and Olsen & Ellram (1997) use variables that have direct impact on/due to relationships: difficulty managing the relationship and the strength of the relationship (Leek, Turnbull, & Naudé, 2006). Interestingly, whether it is constructed on a two- or three-dimensional matrices, none of the portfolio approaches proposed to date use classification variables that have been obtained as a result of a methodological or systemic evaluation. (Day, Magnan, & Moeller, 2010). For instance, Krapfel, Salmond & Spekman (1991) references resource dependence theory in building the background of their dimensions, but no details are given as to how four factors (criticality, replacebility, quantity and slack) are selected to govern relationship value as a unit of analysis. Olsen & Ellram (1997) builds their dimensions of difficulty in managing purchase situation and importance of purchase on the works of Fiocca (1982) and Kraljic (1983), who suggest their own based upon their intuition. The portfolio model by Turnbull & Zolkiewski (1997) in reality is a combined tool of the dimensions of Krapfel, Salmond & Spekman (1991) and Shapiro, Rangan, Moriarty, & Ross, (1987). All the models cited above use variables that seem to be established on the arbitrary suggestions of the authors, and there are no critical or methodological discussions as to the particular preferences of these dimensions that are used along the axes. Theoretically-driven studies may bear certain managerial flaws. Donaldson & O'Toole, (2000) noted in their research, their work only considered important relationships, and unimportant relationships were left out, which implies an arbitrary and informal pre-classification is needed before the model could be used in real situations. Similar to all other studies, Tangpong,

Michalisin & Melcher (2008) focused on key relationships in computer industry. Vesalainen & Kohtamaki, (2015), in their interviews, asked the managing directors of 84 firms to name "one of the three most important relationships" and found that 15% of these named relationships fall under their transactional – low importance – category. In the light of the above discussion, the main limitations of current portfolio models can be listed as below:

1) It is a general rule that most models (Vesalainen & Kohtamaki, 2015; Donaldson & O'Toole, 2000; Wagner & Johnson, 2004; Fiocca, 1982) focus on key relationships, and therefore do not provide any guidance on what to do with transactional exchanges or routine relationships or how to shift them into different grid positions. Business markets are not only made up of large and multinational firms. While research in business marketing management identifies and concentrates on situational characteristics related to strategic relationships between large corporations (Makkonen & Mervi, 2014), between small suppliers and large buyers (Johnsen & Ford, 2008; Talay, Oxborrow & Brindley, 2018), the studies have not produced any scope on the marketing of simple, uncomplicated and ubiquitous industrial products or services, particularly involving suppliers' relationships with customers. Specifically, the extant studies do not offer relationship management strategies between small enterprises interacting routinely with each other. Weak relationships are considered as unimportant, associated products are simple and easily substitutable, and switching costs from one supplier to another are fairly low. Therefore, the industrial marketing portfolio models have not covered such situations.
2) No research has been carried out to reveal whether, weak or strong, an existing relationship between a buyer and a seller is fulfilled to its potential or not; if it is not fully exploited, what strategies are required to realise the relationship to its full potential. All portfolio models analyse and classify existing relationships into manageable clusters, but they do not at all evaluate whether existing relationships can be further developed and improved to a better position or are near or far from their potential. With few exceptions, they do not present a dynamic nature either. The prevalent studies do not differentiate between the perceived and the real aspects of relationships. In the findings of Vesalainen & Kohtamaki (2015), 15% of the dyadic relationships analysed proved transactional in their model, thus their work implied they were weak, but interestingly the managing directors of the firms interviewed considered them as important.
3) Studies proposing relationship typologies do not deal with the actual characteristics and management implications of the various forms of relationship involvement (Gadde & Snehota, 2019). Despite the volume of research on relationship portfolio models, managers are faced with significant difficulties when selecting an appropriate model amongst the available portfolio models. These problems may explain why recent research discovered that

thirty percent of sampled UK companies do not have a formal system for managing their relationships (Leek, Turnbull, & Naudé, 2006). It is quite possible that of the managers who do use a portfolio system for managing their business relationships, many may not be adopting an academic model but one which they have created themselves.

4) There have been plenty of studies in IMP's view of industrial relationships since the pioneering work of Hakansson & Snehota (1995) on how business relationships are identified. As reviewed in section 2.3, the ARA model is a basic tool trying to give a picture of the main components of business relationships. It has a very specific message in the identification of the three layers of substance and in providing a frame of reference as to how they relate to each other. Portfolio approaches are used to distinguish and categorise business relationships so that the selling firm can take appropriate actions to manage its portfolio of relationships effectively. A certain ambiguity remains regarding the consequences of introducing the relational perspective into portfolio theory (Corsaro, Fiocca, Henneberg, & Tunisini, 2013). In order to understand, characterise and define relationship categorisations in a portfolio analysis, it would be logical to explore if an element of the ARA model could be incorporated into portfolio approaches. However, such notion has never been integrated into any of the current models. Even if the features of the ARA model are not used in the categorisation process, it can be used in the results of the model's analysis and the ARA model may assist with conceptualising suitable relationship management strategies and tactics.
5) Gelderman & van Weele (2005) demonstrate the importance of portfolio models, which can act as proxies for the taxonomy of customers/suppliers. They found that the use of portfolio models presents the characteristics that express the relative sophistication of marketing/purchasing. However, even though portfolio models are a key tool for strategic planning, the classification variables have not been evaluated academically, systematically or methodologically; there is a limited understanding about why certain variables are used, what the most appropriate object of classification is, how variables can be assessed together and their consequent connection to the strategy planning and value creation (Day, Magnan, & Moeller, 2010). Vesalainen & Kohtamaki (2015) and Tangpong, Michalisin, & Melcher (2008) note the lack of understanding how the main dimensions of relationship development interplay to create relationships

4.3 Relationship capacity matrix

4.3.1 The variables

Whether it is close or distant, relationships between companies are shaped by the combined experience of the parties. It provides the atmosphere within which individual episodes take place (Turnbull, Ford, & Cunningham, 1996). Buyer-seller relationships are vastly impacted by each exchange, transaction or episode, which is affected by situations formed by purchase characteristics (Johnston & Lewin, 1996). The purchase related factors have been examined in great detail (Bunn, 1993; Henthorne, LaTour, & Williams, 1993; Kohli, 1989; Lau, Goh, & Phua, 1999; Johnston & Lewin, 1996; Lewin & Donthu, 2005; Puto, Patton III, & King, 1985; McQuiston, 1989), and five characteristics are generally cited in the organisational buying behaviour literature, namely; novelty, importance, complexity, uncertainty, and time pressure, all of which combine to form purchase-related risk. Buyers attempt to reduce the level of risk to an acceptable level, for instance, by demanding contractual guarantees from suppliers, or increasing the number of people involved in the decision-making process (Michel, Náude, Salle, & Valla, 2003). Academics studying industrial buying behaviour (Kohli, 1989; Henthorne, LaTour, & Williams, 1993) suggest that perceived risk has been viewed as multiplicative function of *importance of purchase* and *the amount of uncertainty associated with the outcome of the purchase*.

Importance of purchase is measured by the degree to which the purchase affects company's overall activities. Bunn (1993) describes it as "the buyer's perception of the significance of the buying decision in terms of the size of the purchase and/or the potential impact of the purchase on the functioning firm". Supply decisions presenting the greatest potential contribution to both profit and competitive advantage are highly essential, meriting the most attention (McQuiston, 1989). The very useful way to understand whether a purchase is important or strategic is whether the decision-making process is centralised or decentralised. Centralised purchasing units place more weight on strategic considerations such as long-term supply availability and the development of a healthy supplier relationship. Decentralised buyers may emphasize more tactical concerns such as short-term cost efficiency and profit considerations. When the perceived importance measures high, formal procedures and organisational rules will be adhered to by the buying organisation (Lau, Goh, & Phua, 1999). For lower value, less complex purchases, ad hoc buying exists. When a purchase is important, regardless of whether it is novel, complex, and high in value or not, it will have a big impact on the exchange process between the buyer and the seller, thus the episode will be shaped by purchase importance, which in turn will affect the cumulative effect i.e. the overall dyadic relationship. Therefore, *relationships are heavily affected by the importance of purchase to the buying firm*.

Importance of purchase is one of the most used variables in the earlier portfolio studies. Of the major portfolio models, Fiocca (1982), Kraljic (1983) and Olsen & Ellram (1997) adopted importance of purchase as one of their dimensions. Factors forming importance of purchase have been discussed in detail. Adapted from Olsen & Ellram (1997), the factors constituting importance of purchase are listed in Table 4.1.

Table 4.1: Factors influencing importance of purchase (adapted from Olsen & Ellram, 1997)

Financial factors	Value factors	Reference factors
1. Purchase volume 2. Purchase value 3. Contribution to buyer's profitability	1. Degree of value added to customer's offering by seller 2. Seller's knowledge contribution 3. Seller's experience in different markets	1. Seller's brand & prestige

The outcome of purchase is characterised by the degree to which buyer feels confident about supplier capabilities pertaining to price, quality and service requirements (Hunter, Kasouf, Celuch & Curry, 2004). When requirements of products and services are not expressed in a specification and/or, significant differences amongst potential suppliers are not easily discernible, organisational purchasers tend to minimise risk by preferring known and tested supply partners, and avoiding those that present uncertainty (Johnston & Lewin, 1996; Puto, Patton III, & King, 1985) and buyers are in contacts with greater number of suppliers (Hakansson, Johanson, & Wootz, 1976). In cases where sellers and their products are likely to be reasonably similar, buyers evaluate the seller's ability to fulfil a commitment to the buyer and their business (Strandvik, Holmlund, & Edvardsson, 2012). Frequently, buyers are concerned about the number of choices that exist in the supply market because they work hard to expand the choice set when it is narrow and seek to reduce the choice set when presented with a wide range of alternatives (Bunn, 1993). The market of the seller has a great effect on the decision-making process of the buyer because the problem from the buying firm's point of view is that by founding a relationship with one supplier, the buyer will relinquish the opportunity for exploiting the differences. In other words, there is an opportunity cost depending on whether the variation (the degree of difference between suppliers' offerings) is large or small. When the variation is large, the opportunity cost is large and subsequent cautious behaviours in developing extensive relationships remain present (Hakansson, Johanson, & Wootz, 1976; McQuiston & Dickson, 1991). Moreover, there is a strong negative effect of the availability of alternative suppliers on relationship quality perceived by the customer (Walter, Müller, Helfert, & Ritter, 2003). It can be hypothesised that *relationships are heavily affected by variation of offerings in supply market.*

These two variables, *importance of purchase* and *variation of offerings in supply market* constitute the foundation of the theoretical contribution of this thesis.

4.3.2 Offering

It is necessary to emphasise and elaborate on the term of offering. IMP researchers use the term of offering rather than product or service (Ford, Gadde, Hakansson, Snehota, & Waluszeswski, 2010), and describe it as the amalgamation of products, services, advice, adaptations and logistics as well as involved costs (Ford, Gadde, Hakansson, & Snehota, 2002). Hedaa & Ritter (2005) describe the offering as the interpretation of a supplier's problem-solving abilities into a package that is proposed to a buying firm searching solutions to its problems. An offering is likely to be unique in form and meaning in each specific context and to be an outcome of a process of interaction (Ford, 2011). In dyadic business relationships, activities are linked, resources are tied, and personal relationships are developed between actors (Hakansson & Snehota, 1995). It is the intensity or the "thickness" of these layers that enhance inter-firm relationships. In other words, the greater linked the activities, the more tied the resources, the deeper bonded the actors, the stronger or the "thicker" the relationships. Selling firms often have relationships in which they have worked hard to build social bonds with a buying firm. However, they may not have worked so hard to build links of activities and ties of resources. These relationships do not fulfil their potential, since a relationship value is directly related to the activity links and resource ties between companies. Furthermore, "nice and friendly" relationships that are solely built on actor bonds are much easier to break than those with high degree of activity links and resource ties (Ford, Gadde, Hakansson, & Snehota, 2002).

Hakansson, (2009) debates that "economic factors related to activities and resources were more important than the specific goals of the actors". In fact, the importance of the 'material aspects' in inter-firm relationships was the inspiration to the ARA Model. The argument that the material layers (resource and activity) of relationships between two firms characterise heavy limitations on the actions of the firms has been conspicuously present in the IMP tradition (La Rocca, Hoholm, & Mork, 2017). Dubois & Gadde (2018) found that a buying firm continued to buy from some suppliers although they were frustrated with their commitment. Hakansson, Ford, Gadde, Snehota, & Waluszewski (2009) noted that in some situations buying firms tend to use suppliers they neither like nor trust, simply because they represent the best offerings.

Actors perform activities, and control resources; resources are used to change other resources in various ways to perform activities (Hakansson & Johanson, 1992). Activities are enabled by resources which are controlled by actors. In this context, it can be stated that *activity linking is the input into the development of relationships*. Myriad of resources may be "tied" between firms but they will be used to construct and link activities between them. This conceptualisation clearly implies that

the higher the degree of activity links between two firms the stronger their relationship. As a result, both academically and managerially, the main goal of a business marketer should be to focus on establishing links of activities to win a contract or to secure a one-time buy, to establish a new venture, or to ensure repeated orders from an existing client and to repel the competition. The original IMP definition can be slightly amended and linked activities can be added to the definition, and it can be defined as *products & related services with linked activities*. Thus, the dimension of "variation of offerings in supply market" measures the notion of offering which can include those activities that have already been linked or proposed to be formed between buyer and seller. A core product of a supplier and that of its competitor might show extreme similarities, but it is the other aspects of the offering, the already-formed activities or the activities that are proposed to be formed, might immensely differ, in which case the variation of the offerings of the two companies will be perceived as elevated. Likewise, a supplier's offering can be unvaried from others in the supply market to one buyer, but the offering of the same supplier can be very distinguished to another purchaser.

4.3.3 Relationship strength vs. capacity, growth potential and the matrix

Gadde and Snehota (2000) use a portfolio approach to demonstrate that only a few supplier relationships are really worth investing many resources in, so successful firms should choose a variety of differentiated relationships. Inherently, some relationships are not as strong as others; certain seller-buyer interactions can take place in situations based upon mere price, whereas other relationships can be established on the collective value that neither party can create in isolation (Hakansson & Snehota, 1995). When fully exploited, whether it is strategic or routine, each dyadic relationship has an upper limit of *strength* it can reach to. I call it the *relationship capacity* and describe it as *the maximum possible business relationship strength that can be attained between seller and buyer*. Scholars define the strength of a business relationship as the amalgamation of the interdependencies of the both parties of the dyadic relationship. In other words, total interdependence refers to relationship intensity (Caniels & Gelderman, 2007). The difference between the relationship capacity and the relationship strength is to do with the reality; the strength of a relationship or total interdependence refers to the *actual and current intensity* of the relationship. The relationship capacity indicates the *maximum potential intensity* that can be accomplished. From the two definitions, a third definition is produced: the *growth potential*, which is the *gap between the relationship capacity and the relationship strength* and can be defined as *one's ability to increase business transactions with the other* (Ritter & Andersen, 2014) and refers to the degree of improvement possible for the given relationship. Considering the offering is described as products & related services with *linked activities*, the growth potential can also be realised by activity linking. In other words, the fulfilment of the growth potential can depend on to the extent to which

sellers can relieve them of an activity that the suppliers undertake on their behalf (Blois & Ramirez, 2006). Likewise, Walter, Müller, Helfert, & Ritter (2003) found empirical evidence that the perceived quality of a given relationship will be elevated if the supplier fulfils functions on its customer's behalf.

Following from the industrial buying context and as a result of the discussions above, I conceptualise the relationship strength as a substitute to perceived risk. Importance of purchase and variation of offerings in supply market are the variables of the purchase-related risk, which is directly correlated to how strong a buyer-seller relationship can be when fully exploited. When the purchase-related risk is high, the possibility of developing a strong relationship between the buyer and the seller becomes high. However, high risk does not indicate whether or not the parties choose to establish a fully exploited relationship. To that end, this thesis conceives that the relationship capacity can be as the function of the two variables. Combining the two variables – importance of purchase and variation of offerings in supply market – it is possible to provide a classification of the relationship capacities which span a portfolio of four categories (Figure 4.1).

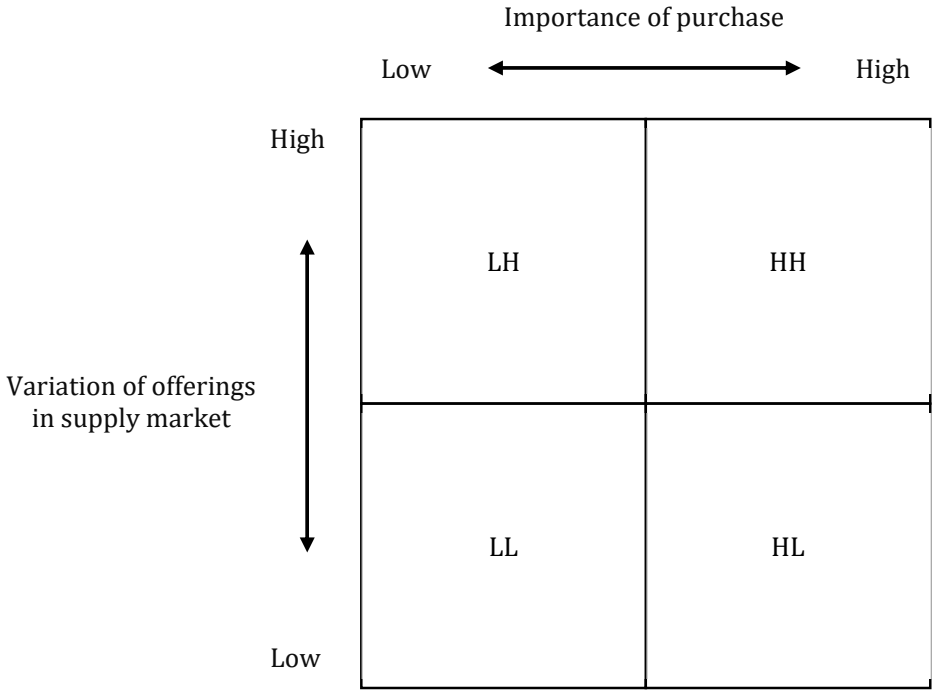


Figure 4.1: Relationship capacity matrix

Holmlund (2004) suggested five different hierarchical aggregation levels of business interactions; *action, episode, sequence, relationship, partner base*. The lowest and the most detailed type of interaction is actions, which comprise individual initiatives by the firms, such as phone call or a visit. Episodes are defined as several interconnected actions and represent minor natural entity on the next hierarchical level within a relationship. Interconnected episodes can be grouped into sequence, which forms a campaign, a project or a combination of these. An important fact has been noted by Holmlund (2004), time-framed commitments such as one-time buys should not be regarded as relationships, as they are a group of episodes, which is a sequence, aimed at one particular goal. Continuous sequences form relationships. All the relationships of a particular firm at a particular point of time together constitute the partner base of that firm. Adapting from Holmlund's view the relationship capacity can be classified under three types: episodic, sequential, relational, with episodic levels having low capacity, and relational levels being of high capacity.

Based upon the works of Dyer & Singh (1998) and Wagner & Johnson (2004), Furlan, Grandinetti & Camuffo (2009) defines three types of relationships: market relations, traditional relations and partnerships. Incorporating Holmlund and Furlan et al's definitions, relationship capacity can be characterised under three types:

1) *Episodic interaction – low relationship capacity:* the buyer purchases products that have been totally designed and manufactured by the supplier. These are low interaction relationships in which the seller provides a standardised product, available in the market from competitors with virtually no customisation. Price is the only parameter in supplier evaluations.
2) *Sequential interaction – medium relationship capacity*: the buyer specifies or designs the product or component, while the supplier manufactures it on behalf of the buyer. The supplier does not perform any design or development activity and just produces on the basis of the buyer's specifications. These relationships imply some degree of coordination and interaction between the parties because of their interdependence in terms of production (production engineering, logistics, etc.).
3) *Relational interaction – high relationship capacity*: the buyer defines the concept and functional specifications, while the supplier develops the design details and makes the part or component. The supplier is heavily involved in design from the concept stage of the new product development. Typically, partnerships entail intense interaction and governance between the partners as they manage different processes such as new product development, logistics-manufacturing integration and quality assurance.

The critics of the current portfolio models agree upon the difficulties in relation to the identification of the variables and how to measure them (Turnbull & Topcu, 1994; Turnbull & Zolkiewski, 1997;

Rajapogal & Sanchez, 2005; Leek, Turnbull, & Naudé, 2006). In general, the problems and measurement issues are threefold:

1) Inclusion of the mixture of subjective and actual data, which make the calculations challenging;
2) Lack of clarity in the definitions of the variables;
3) Subjectivity of the axes' scales (low to high, weak to strong).

The scholars studying relationship portfolio models differ in the measurability of the variables. On the one hand, few argue that the variables should be quantifiable with hard data (Leek, Turnbull, & Naudé, 2006), which results in complex calculations and possible omissions when faced with large volume of information. Hard data may result in more accurate findings but the complexity in computing them may lead to demotivation of those that conduct the analysis. Turnbull & Zolkiewski (1997), on the other hand, propose their model with the adapted variables which are subjective and easy to measure, which enables marketers to conduct their analysis on the understanding that the portfolio analysis simply provides a rough conceptual guide to categorising their customers. Having a considerable practitioner background, I am in the parallel opinion that the variables should be straightforwardly recognised and measured, which means by nature that the measurement of the data used should be left to the discretion of analysts, similar to BCG (Boston Consulting Group) Matrix. This thinking clearly helps resolve one of the limitations cited in the critical discussion section, the applicability of the model into the practice (pp 42).

Business relationships are complex and dynamic phenomena. However, the static nature of most portfolio-based studies renders them impractical in understanding the existing dynamism (Furlan, Grandinetti, & Camuffo, 2009). Recognising this fact, Turnbull & Zolkiewski (1997) construct their three-dimensional modelling on the two variables that provide a picture of current relationships, whilst the third dimension, relationship value, is concerned with longer-term potential. However, even then, account migrations from one position to another tend to occur in many models (Shapiro, Rangan, Moriarty, & Ross, 1987; Turnbull & Zolkiewski, 1997), which leads to the necessity of continuous iteration in order to observe the shifts across the quadrants. This implies that the long-termism may not provide feasibility in the analysis, and the practitioner should check the status of their customers by a perpetual application of the portfolio analysis. However, single episodes do have the ability to fundamentally change any given relationship; any negative critical incident may lead to the cessation of a relationship and a positive episode may result in a stronger and deeper relationship. Variation of offerings in supply market is inherently a temporal dimension and is constructed in a way that it also addresses the short-term aspect of relationships – episodes, and takes a snapshot of the action sequence that constitutes a particular episode or episodes between the buyer and the seller.

4.3.4 Particulars of the matrix

The relationship capacity matrix (RCM) enables a well-refined positional analysis of the seller in relation to its competition for the same customer account. It combines a conceptual thinking derived from the ARA model; in particular, it uses the activity layer in the assessment. Before discussing the categories and their pertinent characteristics of the matrix, the specifics of the RCM should be introduced: firstly, the section indicates the angle from which it views a relationship. Secondly, the analysis characteristics that define the relationship categories depending on its position in the matrix are discussed.

4.3.4.1 Angle

The main difference of the relationship capacity matrix is the angle from which it is viewed and the results that can be obtained: other *customer* portfolio models in B2B marketing considers the seller in the focal position, and provide categorisations for the seller's total number of *existing* relationships with its customers. However, the RCM positions the customer in the centre, and aims to analyse the given *existing* or the *potential* customer-buyer relationship, and then if necessary, the customer's other *existing* or *potential* purchasing relationships for the same or substitutable products/services can be positioned in the matrix. Yorke & Droussiotis (1994) conducted an implementation of a customer portfolio model (Fiocca, 1982) that similarly recommended that portfolio analysis can be especially useful if the strength of a relationship is assessed vis-a-vis that of competitors. The relationship in the analysis does not need to be an established relationship, it can also be a potential one as the dimensions of the matrix is formed with the underlying factors of the relationship. There are three main advantages of such an iterative process:

1) It helps the practitioner with the identification of threats from the competition and enable the selling firm to deploy its resources appropriately.
2) The comparative analysis of the seller's own and its rivals' relationships with the same customer can deliver true approximation with the measurement of the variables.
3) It assists with capturing the dynamic aspects of the network by examining other relationships in the network.

The second angle of difference is the product distinction that needs to be made in the analysis: selling firms usually have a range of products; each having different specifications and aims of use. For instance, for the same customer, one product group from the selling firm may be very important, whilst the seller's another product group may be negligibly insignificant. As a result, when the seller has more than one product that it supplies to the buyer and these products immensely differ in their importance and specification, the RCM can handle such a difference as it requires a separate

assessment for the both product groups, and the difference between products is measured by variation of offerings in supply market dimension.

4.3.4.2 Characteristics of relationship classification

Figure 4.1 uses importance of purchase and variation of offerings in supply market as the variables to classify relationships in four different buying situations, which are explained with the following characteristics:

1) *Relationship character* explains the atmosphere in terms of perceived risk, supplier selection criteria (price, quality, availability etc), degree of centralisation for the decision making, switching costs, and changes in relationship resources (physical, social etc) and relationship capacity.
2) *Activity link focus* identifies the *general direction* for the activities that the supplier should try to establish with the buyer, based upon the aforementioned assumptions that *activity linking is the input into relationship development,* and *the higher the degree of linked activities in the dyad* (both in number and intensity)*, the stronger the relationship*. However, for specific activities, another tool – relationship index – is conceptualised and it will be discussed in Section 4.4.2.
3) *Internal operation focus* indicates the processes around which the selling firm should be deploying their resources. It includes the answers to whether relationship-specific adaptations should be made, and *marketing capabilities* and/or and *design capabilities* should be developed (Furlan, Grandinetti, & Camuffo, 2009). Marketing capabilities are defined as the ability of the selling company to monitor the market, to seek and identify new opportunities and market niches, and to establish mutually satisfying episodes of exchanges with customers. Marketing capabilities are usually developed with standardised product, and are in line with the concept of market orientation. Design capabilities are outlined as the ability to autonomously develop products/services that meet client specifications. These capabilities are those that enhance the responsibilities of the firm and enable the firm to carry out proactive behaviours towards customers such as new product development or new process technologies that increase the value of the relationships with their customers.

4.3.5 Relationship categories

Figure 3.1, the relationship capacity matrix, depicts relationship typologies as a result of the interplay between the two variables, importance of purchase and variation of offerings in supply market. How low and high values are given was discussed in the beginning of this section.

4.3.5.1 LL: low importance of purchase vs. low variation of offerings in supply market

Relationship character: in cases characterised by low purchase importance and low variation of offerings in supply market, buyers feel no or very little risk since the supplier market consists of vendors with similar offerings and products are of minor or no importance to the buyer. Commodities and MRO items such as cleaning products and paper supplies can be cited as examples. Goods are standardised, and are completely designed and produced by sellers. Also, they are readily available from competitors. Price is the only selection criterion and dominates the negotiation process. Fulfilment and convenience are also important but they do not lead to considerable premium in price. Decision making is decentralised to low level managers. Buyers with simple and standardised requirements are not prepared to pay high price demanded for the supplier skills that they do not value, and they may seek other suppliers. In LL situations, exchanges involving products such as commodities do not leave any trace in the resources of both parties, who do not have to know about each other for exchange to take place. Price governs the exchange. However, increases either or both of the variables within the quadrant signify social orientation and change in a way that actors have an understanding of what other parties do and this may lead to future exchange opportunities. They develop sentiments towards each other and, therefore, this category acknowledges the individuals (i.e. the human resource) who represent the business units are influenced by the interaction. This type of interaction generally occurs via direct contact between actors in two business firms (e.g. it may result from a 'pure exchange' situation). The interaction between the firms does not exceed episodic levels, which are evaluated by the buyer on case-by-case basis, and can never reach to a fully developed relational interaction status, therefore relationship capacity is deemed low. The seller should offer prices that are the lowest or close to the lowest provided the seller's service and product quality meet the industry threshold. Caniels & Gelderman (2007) found that the interdependence of parties on each other in weak relationships are low and balanced.

Activity link focus: the only area for establishing activity links may be the order processing, which can be configured in a way that buyers can self-serve such as online ordering. However, efficiency optimisations should not be in the form of relationship-specific adaptations since they increase the cost and the price, on the contrary they should be generic to all transactions.

Internal operations focus: Crow & Lindquist (1982) posit that if an industrial buyer establishes a decision criterion that requires a minimum level be met on a given product attribute (i.e. quality), exceeding that minimum level contributes very little to increased supplier evaluation. The seller may better utilise resources by shifting those additional resources necessary to improve performance of a given attribute to other attributes of interest (i.e. price). Internal operations that cut cost, which in turn leads to the possibility of higher profits for the seller and/or price reductions for buyers. The seller should emphasise on streamlining the procurement process of customers and increasing the ease of buying procedures from order placement to delivery. Sellers should invest in marketing capabilities, if they aim to increase the volume of market relationships. The development of marketing capabilities improves sellers' ability to search and opt for customers who are fit to work with. These activities require investment in marketing information systems and sales force. Sellers are required to develop marketing capabilities in creating and using databases, performing customer assessments, and establishing internal optimisations for managing episodic interactions.

4.3.5.2 LH: low importance of purchase vs. high variation of offerings in supply market

Relationship character: these buying situations are not perceived as strategically significant by the buyer but yet they may demand more from the buyer-seller relationship due to wide variation in supplier capabilities, services or linked activities such as responsiveness to product defects and product support even though functionality of suppliers' core products may be quite similar, therefore deciding for a wrong choice with the purchase may hurt the buyer. Specialist services (consultancy services, training courses, architectural designs etc.) are an example. Another example would be a case of a machine; one with the assembly services, training, after-sale service (linked activities), the other without them. Usually, the product varies in added services, even though functionality and quality might be similar, and as a result there is a premium charged on the extras provided; in situations of varied offerings from multiple suppliers, both buyers and suppliers perceive a high degree of uncertainty, and therefore multiple controls mechanisms are put in place in order to ensure successful transaction (Sheth & Sharma, 1997). Proving to the buyer that the supplier's product exceeds the expectation of the buyer, to what degree the expectation can be exceeded will be the most important to a purchase decision. Total cost is the main issue but buyer may try to get lower price levels by threatening the suppliers with cutting their business for the others. As a result of the reduced

purchase importance, the buyer feels safer to explore alternative suppliers. Due to varied offers available in the market, buyers are likely to adopt risk aversion strategies, which can be defined as "a preference for an alternative whose outcome is known with certainty over one having an equal or more favourable expected value but whose outcomes are probabilistic" (Puto, Patton III, & King, 1985). Buyers tend to believe that it is a logical strategy to nurture a somewhat established relationship with the preferred supplier whilst at the same time investigating and looking into other options. Understanding needs of the buyer, therefore problem-solving ability becomes important. For existing relationships, adaptations, learning and experience are the main theme because the buyer wants to focus on its core competences, as a result they need a partner to take care of non-core operations. The cultural difference between the parties should be minimised to intensify personal bonds and to increase communication. Buyer may choose sharing its business between competitors, thereby reducing the risk. There might be slight changes in the product. The change may be related to the social exchange characterised by this grid position but it does not have to be. The product or the use of the product may be adapted without affecting the other counterpart. In this way, the interaction may be seen to affect just one side of the dyad. Any changes that occur can be done or undone quite quickly. The degree of interaction surpasses episodic levels, and the customer can repeat purchases from the buyer. But in any case, the relationship capacity does not go beyond sequential levels.

Activity link focus: the supplier is expected to inform the buyer of new developments in the upstream market and lead the buyer in the right direction. Any developments in the supply market that can help enhance the buyer's value need to be relayed to the buyer and the offering should be customised accordingly. Activities that increase the communication with the buyer can be set up. Also, the seller can help the buyer to organise training activities that promote learning and knowledge that contribute to the value creation process of the buyer. Specific adaptations help the supplier increase the price to a certain extent. Minor adaptations may be made without affecting the other party. Any adaptation that occur can and should be done or undone quite quickly.

Internal operations focus: investing in flexible production systems and product options in order to narrow the gap between the offering of the competition and that of own can turn out to be beneficial. Tactical investments in design capabilities may

be beneficial. Marketing capabilities diminish sellers' dependency on key customers and facilitate customers' diversification.

4.3.5.3 HL: high importance of purchase vs. low variation of offerings in supply market

Relationship character: in homogeneous supply markets, buyers feel low market uncertainty due to existence of widely available specification of items sought from the supplier market, however the product essentiality elicits higher risk, thereby raising the overall risk to a medium level. Electronic components such as drivers, PLCs, electric transformers, standard parts for manufacturing companies such as valves are product examples for this classification. The product is widely available in the supply market and does not generally differ in functionality and quality. Price fluctuation between sellers are negligible or bearable depending on minor modifications in functionality and quality as well as availability and duly order fulfilment. The buyer evaluates suppliers on the basis of price and transfer ability (ease of working, on-time delivery and availability) together. In other words, the buying company will exploit full purchasing power through contracting (Olsen & Ellram, 1997), target pricing and production substitution (Gelderman & van Weele, 2005). The buyer will not choose a supplier even though the supplier offers the cheapest price if the buyer is not convinced of the seller's transfer ability, since the product in demand is tactically or strategically important to the buyer. The purchaser will have contingency suppliers just in case the main supplier does not live up to the buyer's expectation. Alternatively, the buyer can divide the business into two or several shares if the volume is large enough to satisfy the sellers. Decision making process is usually decentralised but the consequences of decisions are regularly controlled by the top management. The upstream market consists of suppliers that offer similar products, therefore risk of making a wrong choice is only limited to optional details in functionality and availability. The buyer needs to make sure, however, smooth supply, due to increased purchase importance. The focus is on total cost, rather than price. Buyers might keep safety stocks in order to remain unaffected in the case of inconsistencies in deliveries and quality, therefore inventory holding costs may also be calculated within the cost of purchase. The relationship capacity is between sequential and relational interactions; the supplier needs to work very hard to build a long-lasting relationship with the customer. Specific investments may lead to a possibility for the seller to marginally increase the price compared to the competition. Switching costs are not very high on account of alternative suppliers but it may take long time to break off the existing ties with the other party, on account of a contract

in place or legal commitment. There may always be some opportunistic behaviour on the part of the customer.

Activity link focus: interaction may result in actors having to adapt their facilities (ie machines, systems or plants) where products are either produced or used. Adaptations should be made to the supplier's production system and/or the customer's using system, but usually these changes may occur on just one side of the interacting parties. The interaction bears a direct influence on how the two parties design and develop their facilities. Dealing with service elements, and contributing to the customer's service to its customer is a potential area for activity linking.

Internal operations: specific adaptations, especially in the areas of integrated inventory, order placement and delivery platforms such as EDI systems may prove useful. Stock and order fulfilment systems and lean production systems that can turn around orders quickly. In order to capitalise on the growth potential, sellers should develop their design capabilities. As sellers develop design capabilities, the interaction levels evolve from sequential interactions to relational interactions. Design capabilities reveal an evolution process allowing selling firms to forge stronger relationships characterised by co-development of the core offering. Furthermore, design capabilities improve the seller's learning skills from customers and creation of value deriving from reciprocal commitment.

4.3.5.4 HH: high importance of purchase vs. high variation of offerings in supply market

Relationship capacity: The buyer feels potentially negative consequences of a poor product choice since the product is strategically important to the buying organisation and suppliers vary in terms of their offering. Examples are enterprise resource planning (ERP) systems, key machinery for factories, prominent components for car manufacturers. The buyer focuses on the value to be created for the buyer; discussions are beyond actual product; what the supplier can contribute to the value chain of the buyer and what additional capabilities the seller can add to the buyer's end product, are "deal maker". Total cost of ownership, joint development, running costs, total cost over life-cycle of product are the main topics of discussion. Instead of price, the focus is on the evaluation of the slack (Krapfel, Salmond, & Spekman, 1991), which is the measure of the effect of the supplier's activities on the reduction of the buyer's internal economic process costs. The supplier is viewed as a natural extension of the buyer. To choose the right supplier, the buyer spends a long time because of high uncertainty. Both problem solving and transfer ability of the supplier are the

principal emphasis of the buyer when making a decision. Risk-mitigation strategies – using suppliers that have fulfilled the buyer's needs satisfactorily so far – are usually adopted by the buyer. An important purchase for the buyer means centralised and very formal structure of the DMU, evaluation process may take a long time, especially for first-time buy situations or one-time purchases. Since the purchase is strategically important for the buyer, they need to ensure the right offering is chosen. Furthermore, offerings of sellers demonstrate difference in functionality, quality and price. The buyer perceives very high risk in partnering with a wrong seller, therefore they will avoid new products and unknown brands unless they are absolutely sure of the outcome. In this type of situations which involve close cooperation, many resources are changed on both sides of the dyad. Strong interacting is likely to result in changes being made to products and production facilities. Specific adaptations for both physical and social resources are present. A common characteristic of this type of interaction is commitment, which is often reflected in the use of words such as partnership or alliance to describe a long-termism between the parties. Relationship capacity is at relational level; once properly established, the relationship will be very difficult to replace and highly costly to break. From the seller's point of view, the customer will be locked in, thereby ensuring repetitive orders. From the buyer's point of view, the buyer receives additional competences that can both complement and enhance buyer's own competencies, thus it is a win-win situation for the both parties. This outcome will only be possible with a strong and deep relationship, which results from greatly linked activities, vastly tied resources, and well-developed personal rapports. Complex products that are difficult to define often lead to joint development efforts and reciprocal dependencies. Fully involved relationship is required to overcome complexity and to obtain synergy between parties. Those buyers involved in strong relationships perceive that they are heavily reliant on their suppliers (Caniels & Gelderman, 2007).

Activity link focus: Seller should constantly seek any opportunities to link own internal activities with those of customers. Relationship-specific investment can and should be made. In HH situations, the entire value chains of both parties of the relationship can be integrated with one another. Joint task forces are established to either overcome problems in the downstream market and/or design new products. Fully integrated IT platforms that enable smooth transactions from seller to buyer are used to a large extent. Selling firms should be organised in a way that adds to the value created by their buyers.

Internal operation focus: Design capabilities are the prerequisite to developing strong relationships. Investing in design and marketing capabilities leads suppliers to develop deeper relationships with customers. Manage and complex relationships can only be managed if sellers acquire both marketing and design capabilities.

The summary of the characterisation of the model is presented in Table 4.2. The RCM matrix can be used for the existing customer base of a selling firm. Additionally, the matrix also offers interesting insights about potential customers, one time buys and large contracts. As a part of the customer acquisition, the expected position of a new customer in the matrix can guide the acquisition process. The table illustrates only general strategies and none of the strategies can be operationalised without using it in practice and knowing the particulars of the customer the supplier is monitoring. The application of the matrix into practice is discussed and the "how-to" guide is operationalised in the Chapter 5. However, further discussions of two specific subjects should be made in order to implement the model; the first, how the activity dimension of the ARA model can be linked to the relationship capacity model, and the second is the manipulation tactics that can be used in B2B marketing.

Table 4.2: Summary for relationship categories

Importance of Purchase & Variation of Offerings		LL	LH	HL	HH
Relationship Character	*perceived risk* *selection criteria* *switching costs* *decision making* *change in physical resource* *change in product* *change in actor perception* *relationship capacity*	• Mostly market relations • Low perceived risk • Price oriented • Switching costs zero to low • Decentralised decision making • No changes visible in physical sources & • No changes in products • Zero to slight changes in perception of actors • Low: episodic interaction level	• Market relations to traditional supplier relationships • Low to medium risk • Information sharing, problem solving, functionality and total cost • Switching costs low • Decentralised decision making • Slight changes in products • No changes in physical sources • Considerable changes in perception of actors • Low to medium: episodic to sequential interaction level	• Traditional supplier relationships to partnerships • Medium to high risk • Transfer abilities are more important than price but premium on price cannot be high • Switching cost medium but may take long time to break • Decentralised but constantly controlled by top management • Considerable changes in perception of actors • Slight changes in production systems and facilities • No change in products • Medium to high: sequential to relational interaction level	• Traditional supplier relationships to partnerships • Medium to high risk • Value creation • Switching cost high and difficult to break • Centralised • Considerable changes in perception of actors • Changes in production systems and facilities • Changes in products • High: relational interaction level
Activity Link Focus		• No relationship-specific adaptations • General optimisations on ordering	• Minor and reversible adaptations are possible • Communication and value added services	• Slight to considerable relationship-adaptations • Service-related activities	• Considerable relationship-adaptations • Value added activities
Internal Operation Focus		• High marketing capabilities • Streamlining production, standardisation • Cost cutting measures	• Medium to high marketing capabilities • Low design capabilities • Flexible production systems	• Medium to high design capabilities • Ordering and inventory systems, lean production	• High design capabilities

4.4 Linking activity to offering

A business relationship between firms is characterised in terms of the interplay between three layers of substance; activities, resources and actors, as conceptualised in the network model (Hakansson, 1987), also referred to as the ARA model. According to Hakansson (1987), these layers can be regarded as the basic elements of industrial interactions. In other words, each relationship can be explained in terms of these three dimensions. Actors perform activities, and control resources. Resources are used to change resources in various ways to perform activities (Hakansson & Johanson, 1992). Myriad of resources may be "tied" between the firms but they will be used to construct and link activities between them. As actors use resources to perform activities, activities need the input of resources, thus it was already hypothesised that *activity linking is the input into the development of relationships*. In dyadic business relationships, activities are linked, resources are tied, and personal relationships are developed between actors. It is the strength or the "thickness" of these layers that enhance the relationship. In other words, the greater the degree of linked activities, the more tied the resources, the deeper bonded the actors, the stronger or the "thicker" the relationship. In managerial terms it implies that the seller's offering should include propositions where the seller performs extra activities which the buyer should normally be undertaking, and deliver resources required for those activities. As Blois & Ramirez (2006) states that sellers can enable customers to improve their performance themselves by relieving them of an activity that the suppliers undertake on their behalf. As resources are the input into activity linking, it should be the main goal of a business marketer to focus on establishing links of activities between seller and buyer to make the relationship more robust and to prevent the competition from initiating/developing a relationship with the customer.

The main purpose of this section is to explore whether or not a methodology can be structured, an indexing measure can be defined, and implemented in identifying an industrial relationship between a buyer and a seller, and how strong the relationship can be, based on activities that matter to the relationship, that are unilaterally and/or bilaterally performed. Once the index is setup and applied, it can help illustrate the level of the relationship and depict ways to improve it given the circumstances. The deductions are:

1. Linked activities are the input into relationship development,
2. The higher the degree of linked activities in the dyad, the stronger the relationship.

4.4.1 Purchase process and identification of existing and possible activity links

Based upon the aforementioned deductions, the capacity of a relationship can be defined in terms of the activities that are already established, and that are possible to establish with the seller. In order to identify these activities, the relating purchase process which the buyer undergoes should be ascertained. Although the methodology for identification of the purchase processes is not definitive, the principles of business process mapping can be used. However, rather than helping to increase the efficiency of the business, the specific objective of the process mapping is to explore what the buyer does, what the seller does, and what they do together in completing a given purchase episode. The major steps of the identification of the activity linking are:

1. Process identification: identify the entire process in the episode, what the buyer does, what the seller does, and what they do together.
2. Information gathering: gather detailed facts, who does what, why, where and when, asking necessary questions.
3. Process listing: convert the detailed fact sequence into a process list.
4. Analysis: work through the list, challenging each step; asking the following question: "Can we (the seller) do the entire or a part of the process ourselves? Can we increase our participation in the process?". The idea behind these questions are to discover areas in the process list to enhance the seller's contribution to the activities undertaken by the buyer or the both parties so that the activities are linked as much as possible. Undertaking activities on the buyer's behalf will increase the degree of links between the parties.
5. Develop new offering: include the new activities that seller can undertake on the buyer's behalf in the new formation of the offering.
6. Manage process - maintain the list, review routinely, and monitor activities for changes.

4.4.2 Relationship index

When two companies establish a business relationship, they are involved in unilateral and bilateral activities that cover the buying process. Based upon the aforementioned deductions, activities are meant to be the input into relationships. In other words, linked activities are directly correlated to relationship strength. Employing a basic and practical methodology, it may be possible to intuitively measure the strength of a relationship, and I call it *relationship index*, which formulates the intensity of a relationship activity as the function of the supplier involvement/connectedness. Once the buyer and seller have an activity they jointly undertake, an activity link has already been established. As the degree of the seller's involvement in the activity grows greater, the intensity of the activity link becomes increased. When the activity is fully performed by the seller, the activity link is constructed

at the maximum level, because the buyer is completely dependent on the seller for the given activity. Obviously, activities will not equally be worth and will require a prioritisation based on the strategies and policies of the both parties. Certain activities will be more important than the others, thus an importance measure should be added to the index. Table 4.3 presents an example calculation of relationship index. The weighted average is calculated by dividing the value of the specific importance for a given activity to the value of the importance total. For instance, for activity #4, the importance is 3 (min 1, max 5), and the total value of importance is 60. The weighted average is calculated by the multiplication of supplier involvement (30%) and the importance (3), divided by the total value of importance (60). The relationship index is the sum of the all weighted averages.

Table 4.3: Example calculation of relationship index

RELATIONSHIP INDEX					
#	main purchase process of customer: activities	importance	(%) customer involvement	(%) supplier involvement	weighted average
1	Activity A	1	50%	50%	0.83%
2	Activity B	1	50%	50%	0.83%
3	Activity C	3	100%	0%	0.00%
4	Activity D	3	70%	30%	1.50%
5	Activity E	3	90%	10%	0.50%
6	Activity F	4	100%	0%	0.00%
7	Activity G	5	100%	0%	0.00%
8	Activity H	5	90%	10%	0.83%
9	Activity I	5	80%	20%	1.67%
10	Activity J	3	100%	0%	0.00%
11	Activity K	5	100%	0%	0.00%
12	Activity L	4	100%	0%	0.00%
13	Activity M	1	100%	0%	0.00%
14	Activity N	2	40%	60%	2.00%
15	Activity O	4	0%	100%	6.67%
16	Activity Q	5	60%	40%	3.33%
17	Activity P	2	80%	20%	0.67%
18	Activity R	4	100%	0%	0.00%
		60			**18.83%**

Once activities and related details such as the degree of involvement and activity importance ratings are identified, it is possible to focus on the areas of improvement for supplier' activities. The main goal is to increase the supplier involvement which leads to a stronger relationship, thereby capitalising on the growth potential, and fulfilling the relationship capacity.

4.5 Manipulation tactics

The business marketer's goal, when formally dealing with a buyer for the first time, is to grasp the environment of the buyer, to be able to predict demands, and certainly to initiate such demands. This is deemed the only way to formulate a suitable offering for the customer, and to outplay the competition. In some cases, it is very simple: demands and needs of the buyer are well known by the buyer and seller, and the buyer can select the lowest price with the most suitable functional requirements. However, this is hardly ever the case. Due to the nature of the problems that can arise, the buyer is constantly challenged by uncertainties which, in turn, affect the decision making. Hakansson, Johanson, & Wootz (1976) suggest that three types of uncertainties can be identified: need, market and transaction.

Need uncertainty is a function of the interpretation of the exact nature of the needs of the buyer and the importance of the actual need. Need uncertainty is not directly related to the technical complexity of the product. In circumstances typified by high need uncertainty, decision making unit (DMU) of the buyer is more concerned with functionality and quality than the issue of price. To reduce the perceived uncertainty, the buyer chooses to deal with suppliers that have smaller cultural difference, and/or that the buyer has dealt with before. The DMU involves many persons from different departments, which leads to a very complicated structure. Buyers with high need uncertainty are likely to choose to work with a single supplier (Ford, Gadde, Hakansson, & Snehota, 2011).

Market uncertainty is related to the supply market; instead of a small number of sellers for a well-defined product, many suppliers target buyers with highly varied potential offerings. Market uncertainty is regarded as the main source of the perceived risk for a buyer due to the characteristics of the supply market – heterogeneity and dynamism (Michel, Náude, Salle, & Valla, 2003). Customers with high market uncertainty are likely to spend much time in scanning the market for appropriate suppliers, and they are unlikely to focus on one-supplier relationships; they develop relationships with competing firms instead.

Transaction uncertainty is to do with whether or not the seller inspires confidence in the buying firm, whether or not the seller can deliver the order (product or service) to the buyer on time and in a format that is ordered. If, for instance, the buyer does not trust the seller, then the transaction uncertainty is deemed high. High transaction uncertainty leads to closer examinations of the seller by the buyer to ensure the delivery of the order can be made on time. This kind of uncertainty may occur in many routine or non-strategic purchases or where several sellers have similar offerings.

Hakansson, Johanson, & Wootz's work is substantially practical and has considerable managerial implications: by manipulating the perceived uncertainty of the buyer in different ways, it should be

possible for the seller to generate various types of behaviour effect. “The seller always has the ability to change the buyer’s perception of a certain situation. This does not mean the seller tries to communicate inadequate information because professional buyers will in the long run see through such a ploy. The seller should try to adapt the buyer’s perception to what he believes is a reasonable assessment of the situation” (Hakansson, Johanson, & Wootz, 1976). Increasing or decreasing the perceived uncertainty, thus, can be used as influence tactics in buyer-seller processes.

In actual fact, the two uncertainties used by Hakansson, Johanson, & Wootz (1976) is conceptually very similar to, and can be used in explaining the variables of the relationship capacity matrix. Need uncertainty is high when importance of purchase is high, in which case information search and risk reduction strategies are identical. As a result, it can explain *importance of purchase.* Likewise, market uncertainty is directly related to the uncertainty associated with the outcome of the purchase; when market uncertainty is high, known and tested suppliers are preferred over the others. Market uncertainty is high when many varied offerings exist and the buyer is not exactly sure which one to choose from. Therefore, it can be also used as a proxy to *variation of offerings in supply market*. Hakansson, Johanson, & Wootz (1976) suggests transaction uncertainty as the third uncertainty, which by definition is covered by variation of offerings in supply market.

By providing certain technical information about the product, the seller can highlight the importance of the purchase. As a result, the buyer may attempt to widen the decision-making unit and interact with firms that can tackle the increased importance. On the other hand, the seller can try to bring down its importance by emphasising that the problems to be solved are not as complicated as the buyer believes. When items to be sourced are strategically important, buyers in highly variant supplier markets typically undertake an extensive and deliberate choice of process – rather than making a casual selection in order to reduce decision risk (Puto et al, 1985; Hunter et al, 2003, Johnston and Lewin, 1996a; Thompson et al, 1998; McQuiston 1989; Bunn 1993; Kohli, 1989). Decision makers in the buying firm will have contacts with a relatively greater number of suppliers and are specialised in relation to these high uncertainty markets (Hakansson et al 1976). However, buyers tend to favour known suppliers to reduce risk because they are meeting business needs and most buyers are inclined to be risk averse when examining alternatives (Johnston and Lewin, 1996a; Kapoor & Gupta, 1997; Thomas 1984, Puto et al 1985, Hunter et al 2003).

Even the earlier models of industrial marketing (e.g. Robinson, Faris, & Wind, 1967) captured that the information needs of the buyer vary over the decision process (Lockett & Naude, 1991). Therefore, providing more and suitable information to the buyer help differentiate the offering from that of the competition. For that, the sales people of the selling firm should be prepared to adopt an educational role, delivering adequate and duly information that shows how the offering of the selling

firm satisfied the need of the buying firm (McQuiston, 1989). Assuming an educational role by the sales person will path the way to ably manipulate the importance of purchase; but it may lead to certain changes in the perception of the buyer about the supplier market. If the seller wishes to play down the difference of offers by suppliers, then the information that will be provided should be in the direction towards a simple market structure. If the seller wants the buyer to make more comparisons between prices, qualities, payment conditions so that the selling firm, too, can be considered, then the seller should convey evidence that the market is varied in terms of the solutions available to the specific problem of the buyer. The purchasing agent, frequently viewed as the salespersons' enemy, in fact has high expectations of the salesperson with regard to the salespersons' role, repertoire, knowledge, and competence. These expectations, if met, are likely to result in improved effectiveness. (Hayes & Hartley, 1989). When the nature of the interaction calls for a long-term relationship, the supplier has to be aware of the additional information that should be passed on to the customer (Jackson, 1985).

The seller can successfully play with the uncertainties of the buyer, but without inspiring confidence in the buying firm before the seller can fulfil the order, the manipulation will be futile. The selling firm's ability of fulfilment must be demonstrated in practice before the customer's perception of ability really can be influenced in favour of the seller. In this context, the seller can provide names of satisfied clients as well as lists of impartial and independent experts who can attest to the quality of the offering; as a result, the buyer substantially lessens the degree of transaction uncertainty perceived by the buyer (Henthorne, LaTour, & Williams, 1993). Also, the creation of confidence can be accomplished by a robust social exchange between the buyer and the seller. In general terms, confidence can be induced by marketers that are technically able and can handle technical questions up to a certain degree, as this shows the selling firm is capable of solving problems of the buyer. The goal is to give customers information about important conditions of the seller's own firm and obtain information about the customer, the demands and needs of the customer so that the offering can be formulated accordingly and correctly. Another idea suggests that the most effective strategy for a new supplier is to offer performance guarantees as part of the proposal. Next, it is helpful for a new supplier to encourage split procurements and to be amenable to strategies which offer an opportunity to service even a portion of a new account (Puto, Patton III, & King, 1985). Acknowledging the willingness to accept less than the full account when submitting a proposal may be one way of encouraging a split procurement. Offering to serve as the back-up or secondary supplier may be another. A new supplier will garner a greater proportion of total procurement dollars when split procurements (as one of the risk handling strategies; the other two being reduce uncertainty and play the odds) are utilised by buyers. The split procurement seems to allow risk avoiders to assume more risk, and this enables the new supplier to penetrate the loyalty barrier. This

effect is particularly evident in the strong loyalty conditions, where current suppliers provide guaranteed performance and the new supplier's performance is probabilistic.

4.6 Conclusion: making sense of the literature reviews

4.6.1 Summary

The literature review of this thesis begins with the interaction approach, which helps explain the mechanics of buyer-seller relationships. It describes the factors relating to the interaction process, the interacting parties and the atmosphere in which the interaction takes place. Strong and deep series of interaction leads to a business relationship development between a buyer and a seller. The relationship that is being developed can be further explained by the ARA model, which is a conceptual tool that uses relationships as unit of analysis. The ARA model has three layers that explain any given relationship: activity layer, resource layer and actor layer. In a dyadic relationship, resources are tied between the firms and the resource ties are needed to develop joint activities that the both parties undertake. Also, the persons involved in the relationship develop personal bonds between them. This review chapter provides a backdrop to the framework that is being developed in the following chapter.

The second part of the review continues with the critical discussion of the customer portfolio models. Many portfolio models have been proposed by academics in order to classify B2B relationships of customers. The key models have been discussed in the review section. The prevalent models have the following limitations:

1) Their main objective is to find key relationships and propose vague and theoretical directions once important relationships have been identified. However, they do not address non-key relationships or offer ways of how to develop such relationship into important ones. The models do not address the issues relating to small & medium enterprises interacting routinely with each other.
2) Neither the current portfolio models nor the extant literature differentiates between the growth potential of an account and the current strength of the pertinent relationship. All portfolio models endeavour to evaluate and categorise existing relationships into different groups, but they do not appraise whether an existing relationship can be further advanced to a better position or to what degree of a growth potential the relationship holds.
3) The portfolio models are theory-based and are not practically used.
4) Plenty of studies have been conducted on the relational view of the industrial marketing. The ARA model (activities, resources and actors) is the essential tool in visualising and explaining

relationships. Despite being a very conceptual model, the constructs of the ARA model have not been incorporated into any of the portfolio models, which categorise relationships.

5) Classification variables are not evaluated academically, systematically or methodologically and there are no proven links between them.

This thesis proposes a two-dimensional matrix-based model called *relationship capacity matrix*, which tackles the aforesaid limitations. The relationship capacity matrix is derived from the industrial buying behaviour theory explaining the view of perceived risk as multiplicative function of importance of purchase and the amount of uncertainty associated with the outcome of the purchase. Such derivation from purchase-related risk theory leads to several use of the matrix:

1) The RCM is built as a proposed customer portfolio model. It classifies business relationships with the variables that relate to the underlying principle on which relationships are developed: purchase-related risk. In this respect, the RCM is the only taxonomy model, the variables of which are drawn from the literature. It can be used to classify customer groups in order to deploy scarce resources of a selling organisation in a more effective manner. However, it functions differently: its analysis only works product by product. One of its two variables, variation of offerings in supply market is a dimension that relates to a specific product or offering (product, service and activity links), which means that the categorisation of customers can only be conducted for the same product group. In the likely event that the selling firm have a portfolio of different product groups, the selling firm should conduct the portfolio analysis for customers purchasing the same product groups. Its reason is quite simple and stems from its variable; a product or product group may not show a large variation compared to the products of the competition, whilst another group of products from the same seller might be essentially different to others in the supply market.
2) Other portfolio models in B2B marketing places the seller in the focal position, and deliver relationship groups for the seller's total number of customer accounts. However, the RCM puts the customer in the centre, and targets to investigate the customer-buyer relationship, and then, existing or potential, the customer's other purchasing relationships for the same or substitute products/services can be comparatively positioned in the matrix. The RCM has a competitive advantage; it can instantaneously analyse the customer's other relationships with the competition besides assessing the seller's own relationship status.
3) The RCM is not a static model and introduces dynamism in the analysis the results of which can vary or even emigrate to other quadrantal positions after a critical event or over time.
4) Albeit its marked differences from the prevalent portfolio models, the RCM is still a portfolio model; based upon product groups, customer accounts could conveniently be classified, even though it may need for each different group of products numerous iterations, which could be

an exhausting but reality-revealing task. However, the RCM could also be used for relationships which have not been yet established and which are intended to be formed. It can provide a detailed view of the customer's circumstances and the supplier's competition. In addition, rather than a relationship in which repetitive purchases occur, it can shed lights onto and propose guidance for one-off contracts.

Activity links plays a significant role for relationship development. Using the theoretical background of the ARA model, two deductions have been made: linked activities are the input into the relationship development process, and the more the linked activities, the stronger the relationship. The RCM uses the activity layer in its relationship development configuration. In order to operationalise the activity dimension, a methodology is also proposed in identifying the activities that matter to the given relationship. The methodology finds its roots in business process mapping, which is naturally revised to suit for the identification of activities. Once the activities have been ascertained, certain activities can be targeted and developed by the seller and they could be included in the seller's offering. Also, there is a simple method of calculation which allows the marketer to semi-objectively quantify the strength of the relationship based upon already established activities. Once the outcomes of the analysis of the RCM and the activity dimensions are attained, certain tactics can be proposed in manipulating the customer in favour of the seller.

4.6.2 Methodological framework

Putting together the RCM, the relationship index and the activity dimension, a 5-step methodology is presented in creating a methodological framework – the *how-to guide*:

Step 1) Using the dimensions of importance of purchase and variation of *available products & services* (*current offerings*) in supply market, a typical relationship *strength* matrix is created and the case is analysed. According to the grid position of the case, general relationship characteristics are also described.

Step 2) The list of activities is identified through the methodology discussed in section 4.4.2 and the relationship index is calculated. The activity list provides an opportunity to view those activities that can be targeted to include in the reformulated offering. Taking into account the targeted activities, the relationship index is recalculated to see to what degree the activity linking can be increased.

Step 3) Based upon the results of the Step-2, the relationship *capacity* of the case is determined and the distinction between the capacity and the strength leads to the identification of the growth potential.

Step 4) The growth potential of a particular relationship is fulfilled with the inclusion of the possible activities that can be undertaken on behalf of the customer. However, to explain to the customer why and how the inclusion should be made, the manipulation of the perceived uncertainty of the buyer in different ways is required in order to generate the behaviour effect in favour of the seller. As a result, relationship development strategies are created.

Step 5) The seller's offering is reformulated in the light of the results stemming from the analysis and recommendations of the previous steps.

The case presented in the next chapter is analysed with the framework, which uses relationship capacity matrix and relationship index as the tools for the fulfilment of the necessary steps.

4.6.3 Selection of the case

The operationalisation of the entire framework – mentioned above – will be performed in the case analysis section, after the relevant background information is given in the next chapter, which aims to create the atmosphere for the case analysis. The case involves securing a one-off large contract for a simple product, marble tiles, that was used in a 5-star hotel project. In choosing of the case, the following criteria have been considered:

1) Complexity: whether or not the product was simple or complicated. The product needed to be simple and the purchase needed to be routine so that it becomes clear whether one of the limitations of the prevalent portfolio models has been dealt with.
2) Variance: whether or not the product offered by sellers exhibited a large degree of variance, which implied increased purchase-related risk. The variation was required to be limited.
3) Competition: whether or not the competition's marketing strategies hinged on price. In routine exchanges the decision making is principally made on price.
4) Prospect: whether or not the buyer was a potential customer with whom a business relationship could be initiated. Although the RCM is a portfolio model, it can also be used in such situations that it offers strategies for initiation stages.

The supplier market was quite unvaried, simple and static, where the competition only excelled at price reductions. Therefore, the seller's market was labelled as "buyers' market", which suggested that the bargaining power of buyers were far more greater than that of the sellers. The supply was more than the demand due to the prevalent economic conditions, and the selling prices were ever-dropping. The buyer was a company which the seller had not been aware of prior the contact by the buyer. A relationship was developed and against all odds the contract was won with the prices that were considerably higher than those of the rivals.

5. Case study: winning a large order

The purpose of this chapter is to describe how interactions between a seller and a potential buyer were initiated in the formation of a dyadic business relationship. The case study centres on the manner in which the firms acted and interacted within the frame of dealings, which formally lasted between 2014 and 2017. The context of the case addresses the process of a new relationship development between two companies that had not dealt previously with one another. Based upon the relational context, the relationship consists of three episodes. The first episode encompasses the actions and interactions which led to the intention and initiation of the relationship between the buyer, CP and the seller, Ionic Stone. At the end of the episode, the two firms decided to form a partnership to joint-sell to the project. The second episode is made up of the manipulation tactics used to convince the client of CP to award the contract to the partnership. The second episode resulted in the partnership winning the contract. The third and the final episode consists of the deliveries of the orders and their installation-related issues in the site. Therefore, the final episode falls out of context in terms of the scope of the study; the case study focuses on the critical events within the first two relationship episodes that helped form the business connection. This chapter begins with the introduction of the background to the case study. It provides information concerning the nature of the focal organisations and their business relationships. It is divided into three sections. The first section introduces the focal company, the seller, whose relationships are in the analysis. Also, the first section presents the buyer, the project background and its other sources of supply that were in direct competition to the seller. Section 5.2 explains the chronological events and how the order was awarded by the buyer and the stages of developing the business relationship. The last section summarises the key events and facts learnt from the case.

5.1 Background

5.1.1 Seller: Ionic Stone[1]

Co-founded by the author of this study in 2001, Ionic Stone is a medium enterprise based in St Albans, UK. It imports, holds stock of and distributes natural stone tiles, slabs and ceramic tiles. The distribution products are brought from all over the world; mainly from Brazil, India, China, Portugal,

[1] All the names in this case study, except the name of the focal company, Ionic Stone, are changed to provide anonymity.

Spain and Turkey. It has a distribution centre in St Albans and another in Boston. It also manages several online shopping sites for tiles and ancillary products. Its wholesale customers consist of independent tile shops, small chains and nationwide chains across the UK, totalling approximately 300 retailers across the UK. It seldom supplies companies in Ireland and in the continental Europe. Via online operations, which accounts for nearly half of its sales, it sells directly to the public under pseudonym names while the distribution business targets intermediaries.

Back in 2009, the company heavily invested in two marble quarries and a processing plant in Turkey. Additional to its UK customer base, it now has connections mainly to the US, the Middle East, the Caucuses, thanks to its Turkish operations. It supplies projects, importers, construction companies and even end users around the world from the factory. The scope of orders of the processing plant is much larger than those in the UK. Therefore, due to the sheer volume of sales, the case study will be built on one of the interactions of the factory. Operational in 2012, the factory is based in Denizli, a land-locked city in the south-western part of Turkey. The Turkish operation has two quarries, one of which is placed in the city of Burdur, only 85 km. from the factory. The licence of the other is a recently acquired and it is located in Denizli but is not yet operational, pending for the necessary legal permits. The factory has another division that produces key machinery for marble factories but this business unit is still in its infancy, although the division cannot meet demand as of today. The active Burdur quarry produces a cream marble called Lilia, which is very similar to Crema Marfil, a world-renowned Spanish marble extracted in Valencia. This similarity holds a very unique advantage from the marketing point of view; it becomes easier to introduce the marble to project owners and wholesalers. The product that the factory produces and sells is marble tiles & slabs. As well as processing its own quarry's material, it buys raw materials (blocks) from other quarries around the country for processing.

Of 80 employees working for the firm, 20 people are employed as white collar. In European industry standards, the factory can be deemed to have a largish production capacity, with 40,000 m2 of slabs or 20,000 m2 tiles monthly. However, in natural stone businesses, capacity can never be fulfilled as the product is of nature and it varies in terms of colour and movement, which results in longer production span and sudden changes in specification of the product. The firm is known for its advance technological capabilities, and as a result, the Turkish government provides incentives for its R&D department, at which approximately 15 engineers are employed. The R&D department is charged with the task of improving the performances of current machines and developing new ones as well as producing certain machines for sale.

From time to time, and whenever needed, the sales personnel of the Turkish firm including the author of this study make country visits to see potential and/or existing customers. However, the

main sales activity of the factory is to attend professional exhibitions across the globe in order to meet large-volume buyers, project owners, building companies and architects. The key exhibitions that it has so far attended to are the Big5 Show, Dubai, UAE; Marmomacc, Verona, Italy; the International Surface Event, Las Vegas, USA, and Marble, Izmir, Turkey.

5.1.2 Project: MD Doha – PH Hotel

MD Doha is an ambitious and the world's first sustainable downtown regeneration project, reviving the old and decayed part of the town centre with a modern estate inspired by traditional Qatari architecture. It is expected to cost approximately $5.5 billion and covers an area of 76 acres. MD Doha is set to contain one of the largest collections of LEED-certified buildings in the world. The owner of the project, MP, is a subsidiary of a Qatari governmental initiative. Three-year project with leading architects, city planners, engineers, and academics (including specialists from Harvard, Princeton, Yale and MIT) to understand how insights from the past can be combined with present-day technologies and thinking to achieve a new, distinctly Qatari architectural language.

The project has six construction phases, all of which except Phase 4 has been completed (as of 2017). This study is concerned with a luxury hotel project, PH, in one of the phases, the contract of which was awarded to one of the largest general contracting companies in Japan, OB, and its Qatari partner, HBK. The executive architects are GE from the US. Many other specialised architectural offices from the UK assist with the design of the project. PH is a 5-star luxury hotel providing affluent business and leisure guests with elegant and luxurious accommodations. It features 181 guest rooms and suites, two restaurants, and a terrace lounge. In addition to more than 2,000 square meters of meeting and event space, the hotel includes 1,750 square meters of recreation and leisure facilities, including a pool, spa, and fitness centre. The hotel project required approximately 13,000 m2 of marble, making the total value of the project in excess of USD1m.

5.1.3 Buyer: Qatari Contracting Company

CP Contracting Company is a well-established turn-key construction firm based in Doha, Qatar. Founded by a US-educated Qatari architect, its speciality is the design and build of high specification projects. It has an interiors division that has been operating as a fit-out contracting company for over 20 years. Its past projects include private and governmental buildings. The interiors division owns facilities dealing in marble and joinery works, which helped the company acquire and serve prestigious fit-out contracts in Qatar. One of the contracts awarded was the fit-out for PH that was being built by O & HBK.

5.1.4 Product: Lilia marble

Marble is associated with luxury and affluence, and therefore most prestigious projects, especially in the Gulf, are covered with Marble and other types of natural stone. The US architects of PH specified marble tiles in the most of the spaces visible to the eye. In designing the hotel, they had picked up many samples from a company based in New York and selected an off-white creamy coloured marble named Crema Ella. Names are usually given by sellers to protect their origins and the suppliers of the stone. In this case, the New York sample provider had done the same thing, and somehow managed to protect the origin of the marble. The architects specified Crema Ella in the hotel project as the main product; and included it in all the wet spaces including bathrooms in the rooms, lounges, restaurants and other areas open to the guests. To a trained eye, it was imminently evident that the marble came from Turkey, and those that were aware of the Turkish stones immediately knew that it was from a specific area, called Yesilova in Burdur. In general, Burdur area produced two types of distinctive colours: light beige and dark beige, even though the movement (veining and colour variation) differed from quarry to quarry. Lilia, which was extracted in Ionic's Burdur quarry is a light-coloured beige marble and was likened to Crema Ella, albeit minor visual differences. the architects also specified the dimensions of the marble by area, which means that there would be many different sizes required. In the event that no standard sizes were requested, buyers tend to purchase marble slabs, the sizes of which vary, and cut these slabs at their workshop to meet the specifications. These cut pieces are called "cut-to-size" by tradesmen. The list which contains the cut-to-size dimensions is named "cutting list", which separates the required cut-to-sizes room by room. Separating the list by room also means the colour of the marble should be matched so that there is limited variation of the cut-to-size pieces in the same area. Marble is a product of nature, and therefore there will be colour variation and movement which need to be limited by a selection process which enables separation of light and dark pieces from each other and grouping them back together by the similar colours for the same area.

5.1.5 Competition

According to Burdur Chamber of Commerce, there are over 70 quarries in the area of Yesilova. Most of these quarries either closed or semi-operational, which means they only work when there is an order on the raw material they extract. Usually, the raw materials (blocks) are sold to the Chinese, which have led to major increases in block prices. All of these quarries were extracting blocks prior to 2014; this is when the newly elected Chinese Premiere curbed the ever-burgeoning Chinese economy in order to reduce the excessive domestic luxury consumption. As a result, the Chinese demand for marble, a luxurious material, slumped substantially. Due to disproportionate supply of raw materials, processed material prices were reduced to the degree of which most quarries could

not keep up their operations and they had to cease operations. Most of the quarry owners did not have factories to process the raw materials they extracted, which meant that they were heavily dependent on the Chinese buying blocks. Those that owned production facilities had to increase their processing operations at their factories, they shifted the blocks to their plants, therefore the slab and cut-to-size market were suddenly flooded with processed materials. The prices of slab and cut-to-size products were decreased due to increases in production volumes. Nearly half of the quarries in Yesilova produced similar coloured and patterned marble, enabling project owners to amplify their bargaining power in terms of prices, delivery times and payment methods. In short, the order was placed with Ionic Stone at the time when the supply was in abundance, the price levels were really low and eager competitors strived to win any order they could, in order to keep afloat in a collapsing market.

5.2 Interactions between Ionic Stone & CP

This section explains the business interactions between the buyer and the seller and the subsequent relationship development under two episodes. As mentioned earlier, the third episode relates to the delivery of the works, therefore it is not subject to the analysis. The objective is to provide specific background information as to the events that are associated with how the business relationship was formed, and how the framework proposed in Chapter 4 helped the seller initiate the relationship to win a large order. The first episode covers the initial exchanges of emails between 10th September 2014 and 20th November 2014. As it will be discussed in the case analysis, the core product (not *the offering*) of interest exhibited low to medium variation and the importance of purchase was relatively high. The nature of the product and the industry were not very complex, therefore the time span from first initial contact to order placement did not need to be very long. The second episode encompasses the period until July 2015, which involved reciprocal visits by the parties to each other's facilities, and the buyer's documentation requests that enabled Ionic Stone to pass the shortlisting stage in order for the order to be awarded to Ionic. It also takes into account two critical visits made to the customer's side in Doha, a small trial order for the mock-up room, and endeavours including a critical incident in order to resolve the issues of approval of the marble. The third and the final episode comprises the ordering and order deliveries and lasted till 10th December 2017, making the entire series of interaction last over three years. At the end of these three episodes, the project was successfully completed and the business relationship led to other project works to be undertaken by the parties.

5.2.1 Episode 1: a new relationship initiated

Episode 1 covers the actions of the buyer and the seller from the first contact to the point at which the customer, CP, decided to partner with Ionic Stone on joint-selling to their client and Ionic Stone became the favoured marble supplier of the customer. The section explains the events during the phase within which a business relationship between the buyer and the seller was established.

Ford & Hakansson (2006) states that "*it is difficult to characterize what defines a single episode of interaction or to find a neat way to identify its boundaries or when it starts of finishes*". For the purpose of convenience, the beginning is the time when the actors from one of the firms establish a *formal* contact with the actors from the other firm. In this context, formal means a premeditated method of communication that is *reciprocated*: a scheduled meeting, phone conversation, or even a cold-call by a party that is responded to by the other although it may not have been programmed earlier. The first contact was initiated by an email sent on 10th September 2014 by the buyer's purchasing manager for a quotation of the products specified in the email. At a later date, when the owner of the firm was asked about how they had come to know of Ionic Stone, he said they had picked up Ionic's details at the Big5 Dubai exhibition in 2013. He also stated that he normally sent a mid-level manager to professional shows to collect catalogues of the products and companies of interest, and Ionic's catalogue had been collected at the show but the manager had not left any contract details in order to prevent the companies from contacting CP for marketing purposes. That was the reason why Ionic's sales staff had not been not aware of CP until an email from the firm was delivered to Ionic Stone.

In the first set of emails, the information exchanged was associated with a price request for cut-to-size dimensions specified by the architects. After several emails, the purchasing manager iterated:

> "*Kindly reconfirm you don't have Crema Ella? As our client is very particular in their specification, they need exactly the same as the specified material*"

This was the first evidence that the purchasing manager had not dealt in natural stone, therefore she needed to be given information about how the business worked. This fact also presented an opportunity that she could be manipulated[2]. An image of the material had been forwarded by the manager and from the initial impression, the marble was a a beige stone originating in the boundaries of Burdur, but to be sure of the origin of the marble, a sample was required. After the

[2] In marketing sense. Manipulation tactics in B2B marketing was discussed in Section 4.5

initial discussions, the actions mostly related to the establishment of the fact that whether the marble proposed by Ionic Stone could be approved by the architects. To this end, the emails contained many images of the product, and the information in regards with the variation and the movement that the marble presented. Small samples of Lilia were couriered on numerous occasions to CP so that they could pass the samples on to the architects. There were also questions in relation to technical properties of the marble, the continuity of supply and sub-selections that emerged during the production stage. Despite the fact that the architects took their time in reviewing the samples dispatched, the purchasing manager was constantly in touch with Ionic Stone due to the technically comprehensive and explanatory answers she was receiving back from Ionic.

During this stage, Ionic Stone participated in the Big5 exhibition held in Dubai. There had been some communication between the firms in order to arrange a face-to-face meeting during the show, as the owner and the head designer of CP planned to travel to Dubai for visiting the exhibition, as well as having a meeting with Ionic. The Big5 is a professional exhibition which includes many different industries related to construction. Project owners and industry professionals from the Arab world usually travel to Dubai to attend the exhibition as it is the largest show of the kind in the area. The meeting was held on the second day at the show at Ionic's stand. The buyer was presented with the material that was of interest, and the parties talked about whether or not Lilia conformed to the original US sample the architects had picked. The original sample had been brought by the head designer and in general Ionic's marble matched to the colour and the movement the sample presented. This was the first time Ionic's sales persons were able to see a real Crema Ella sample even though many images of the specified marble had been emailed by CP. Towards the end of the meeting, the owner insisted that I attend a meeting with the architects the next day (as he was going back to Doha in that evening, and a meeting had already been scheduled prior to setting our appointment in Dubai) for me to see larger samples and to answer the questions the architects might have. The owner's invitation that prompted the visit resulted from the technical discussion that had been taking place; the owner became convinced that Ionic Stone was technically capable in terms of production and equipped with the knowledge with regards to the installation of marble as well as the ability of trouble-shooting any potential issues that might arise during the fitting. Under normal circumstances, marble factories do not deal with the installation side of the marble businesses therefore they are not very informed about the technicality of the installation and pertinent specifications. When project owners face problems during installation, they are frequently left alone in their endeavours. The owner saw the Ionic's experience and knowledge about the installation side, and accepted the offer by Ionic that the "*selling*" of the marble to the architects could be jointly undertaken.

5.2.2 Episode 2: working together down the network and addressing a critical incident

The second episode began with my visit to Doha for the meeting that was to be held on the following day. The customer had taken the decision to cooperate with Ionic on the marble contract as the supplier had exhibited technical capability of handling such a project. The episode continues with the news that Ionic was shortlisted for the award of the contract. The following events contained technical discussions between the parties and further visits until a critical event in which Ionic Stone was disqualified from the short-list, and it is explained how Ionic-CP partnership managed to overcome the disqualification.

Visit 1: I left Dubai for Doha, it was a one-day visit. At the meeting at the site in Doha, the attendees included the representative of the client, two architects from the executive architectural firm, several other architects, the representative of the contractors, the owner and the managing director of CP, making the number of attendees eight in total. The marble types selected by CP were brought to the meeting room for the architects to view and shortlist the ones that matched the specified sample. I was the only person in the room that dealt with marble business at a professional capacity. The discussions were gathered around the continuity of supply within the specified time frame and the consistency of the material that would be chosen. The attendees in the room had been made aware of the marble choices that were available to them, and they came to the meeting prepared. In addition, the representative of the client had made necessary enquiries in relation to the marble with the domestic traders and he had received quotations and samples as well. Although CP was the fit-out contractor for furnishings and lights, the marble supply & installation contract had not been yet awarded to CP, and the contract was subject to the firm satisfying the designers and the client with the budget, quality and supply related conditions. There were two other candidates' offers on the table and another meeting was set up to see the rivals for the marble contract. One of the rivals was a very famous company based in Dubai and their references included many admired projects around the area. The owner of CP shared with me the information he gathered after the meeting through the conversations he had with the representative of the client:

a) The Ionic sample that was provided generally matched the specified sample by the architects, although the colour deemed to be slightly lighter.
b) They were convinced of the problem-solving ability of Ionic Stone. They were made to believe Ionic Stone was capable of producing such a large order but the selection of the material needed to be discussed and agreed upon prior to any ordering.
c) They were also persuaded on the transfer-ability of Ionic Stone. however, they needed a binding contract to the delivery schedule.

d) The prices offered were considerably higher compared to other offers.
e) They agreed in principle that Ionic Stone and the Dubai-based firm could be shortlisted but they demanded a mock-up room from the both companies.
f) They also decided on a visit that should be made to Ionic Stone's facilities to see the operations.

The second episode continued with a formal email from CP that heralded the news that Ionic Stone was shortlisted for the possible order of PH. The email was sent on 4th December 2014. The episode included two consecutive visits by the buyer and their buyers, and three visits by the author of the thesis. In addition, the buying party requested many types of documentation from the seller, and this episode contained the information exchange in order for Ionic Stone to pass the shortlisting stage in winning the order. The documents included the following:

- Material submittal check list, a document providing summary information listed in the other documents;
- Company profile and catalogues;
- Previous projects list;
- Compliance sheet, a document showing whether or not the material proposed complies with the requirements;
- Technical data & test reports;
- Material safety data sheet;
- LEED compliance certificate, (LEED stands for Leadership in Energy and Environmental Design) LEED-certified buildings when well maintained, produce less waste products and are more energy efficient than they would be otherwise.

Additional to these documents, the contracting firm and the architects requested different types of documents as to where the quarry was, how the raw materials were transported, how they were processed, how the blocks were processed into the end product, how they were transported to the port. The requests for documentation indicated the seriousness of the situation, and it was meaningful that such detailed information was demanded right after the meeting held in Doha.

The interactions had already moved from the documentation stage to technicalities of the project. The main discussion points were threefold: first, there was a group of communications on the specified "finishes" of the marble. Finish refers to the degree of glossiness of the surface of marble. When sawn, marble has a "raw" finish, which implies the saw marks on the surface are visible. To remove the saw marks, the surface is progressively grinded with abrasive stones, starting with large grain abrasive stones and move to smaller-grain pads. The smaller the grain of the abrasive pads, the shinier the finish. Usually, there are two finishes that are used in the industry: *honed* finish lacks the

shininess and reflective qualities that polished marble has. Instead, it has a more satin-feel, smooth and velvety to the touch. *Polished* finish gives the smooth surface a shiny, much glossier look. The architects originally opted for different degrees of honed finishes for different floor areas, and polished finish for walls in wet spaces such as bathrooms. There were two honed finishes with 120 degrees and 320 degrees of honing. 120 degree of honing was rather unusual as it did not show the true colour of the marble, and some saw marks could still be visible. The idea behind of a low degree of honing was to reduce the slipperiness in wet areas.

Second, the architects wanted to specify 15mm thick tiles to install on the bathroom walls. 15mm as thickness was also unusual; even though it could be technically produced, it was commercially not feasible as it was not a standard thickness. Producing tiles at 15mm would mean that sub-standard selections of tiles could not be sold to "cheaper" markets, therefore the wastage would be high. This, in turn, would increase the prices.

Third, the compliance certificates required a specific physical test of the marble (C1028 static coefficient of friction) by American standards (ASTM), but it was not conducted in Turkey as test centres only performed technical tests based on European standards (EN). It was simply not possible for this test to be conducted in Turkey. However, the architects insisted on this test:

> *This test still remains as the preferred path by the Marble Institute of America who are referenced in the specification. This test can still be performed so we see no reason to ignore or replace it.*

The communication of the comment was channelled by the executive architects, GE, through the engineering consultants, GECI, to the main contractors, OB.

Visit by the owner of CP: On 15th December 2014, the owner of the buyer scheduled a visit to Ionic's facilities. The main aim of his visit was to see if Ionic Stone could be a dependable partner in the marble field to CP, and if indeed the marble order for the five-star luxury hotel could be delivered without any issues. The visit also included a tour to the quarry where the marble was extracted. The main topic of the discussions was centred around the opinion of the architects that they had been wanting to push for the originally specified marble, Crema Ella, and for the US supplier that had provided the first sample to the architects. The owner stated the amount of work required to convince the architects of approving of Lilia instead of Crema Ella. He also declared that the sample the architects had in possession was very small and the size of the sample did not indicate all the colours and variations possible in the stone. Moreover, the architects did not grasp the concept of marble; and it was the sellers' task to persuade them to see the reality. To this end, he suggested

another meeting in Doha with the architects, to whom a formal presentation on the concept of marble and the promotion of Lilia was to be made.

An email on 26th March from the office of the architects to CP triggered an immediate demand that the owner of CP and I meet with the architects. The meeting was scheduled for the 2nd April. The issue was arisen due to the colour variation of the originally specified marble and the samples Ionic Stone had sent for viewing. This issue had been discussed with the architects during the previous meeting I attended in November, and was considered resolved. However, the emergence of the issue again was interpreted by the owner as the desire for using the US marble supplier for the project, even though the supplier had not been shortlisted. The email stated the following:

> *As discussed, please confirm your visit next week with the samples to our office, solve the issue of approval your stone Crema Ella. Please find the photos that show the difference between your stone and the control sample.*

However, although under normal circumstance the architects had a point in raising the issue again, anyone with the knowledge of natural stone business would know that marble is a product of nature, and therefore it may show colour variation and considerable movement. Especially for large projects, having different selections for different areas were quite a normal practice. No marble quarry or marble processor could produce only one selection of marble tiles, the nature of the material suggest that no one tile will be exactly the same as any other, thus there will be darker or light shades; homogeneous colours or veiny backgrounds etc. Any variation should be separated and segregated by selections of marble. In the meantime, the owner wanted to present to the main contractors a sufficient quantity of marble tiles to explain the possible variations in the marble. He had the collection of the material arranged immediately so that the tiles would be delivered to Doha prior to the meeting that would be held on 2nd April.

Visit 2: On 2nd April 2015, the meeting was held at the site in Doha. The attendees involved the same persons as the previous meeting. The main issue of discussion was the colour difference between the original sample and the samples Ionic Stone had sent. Although the colour difference was understandable, the architects were adamant that the colour had to be matched if they were to approve any marble for the project. However, they did not grasp the fact that their sample's dimensions were 15x15cm, it was a very small size to indicate all the possible variations, let alone the general colour. The owner had already arranged the collection of the samples from Turkey and had had them delivered to his marble workshop where they had laid all of the tiles on the floor for the architects to view. It was clearly evident that the architects were not aware of the issues related to marble selections and installation, therefore our main goal was to equip them with adequate information on marble so that they could comprehend their request's illogicality. They agreed to go

to the site the following day. I was in Doha only for the day, and I could not participate in the meeting to be held at the marble facilities of CP. However, we discussed the possible strategies the owner should adopt in the workshop meeting. The owner stated that he would convey the following message to the architects:

> *"If you want marble, you will have to accept variation, it is a natural material after all. If you want no variation, then get porcelain tiles!"*

In the following day's meeting, the owner expressed that the architects had not been so convinced of the colour variation and movement of the marble. Even though the owner was optimistic that he could influence the representative of the client, the architects selected only one out of six batches of selection Ionic Stone had segregated. However, the owner was also concerned that the architects would modify the shortlist and include the US-based firm that had given the sample. Although the mock-up room installation was a standard practice prior to approval of any material, the architects did not want to continue with Lilia. The owner decided to talk to the architects to persuade them to accept the installation of the mock-up room with the marble. Within that week, he communicated with several persons at the site and had them convinced of the mock-up room. Mock-up rooms are created to see specified materials in reality. CP placed a small order for the mock-up room. The ordered materials were ready in the stock at the factory, and CP arranged the delivery of the order to Qatar immediately.

In the following weeks, the small order for the mock-up room was delivered to Doha, and CP laid the tiles into a mock-up room, which was an exact replica of the bathroom of the guest rooms of the five-star hotel. There was one other mock-up room modelled by the Dubai-based company, the other firm in the shortlist. Compared to Ionic's material, the Dubai-based company had installed darker-shaded tiles on the walls but strangely the marble on the floor had been chosen differently than the marble on the wall. The decision committee gathered following the design of the mock-up rooms and articulated that they would make a decision on how to proceed with the contract that involved supply & fit of marble.

Critical event & visit 3: On 31st May 2015 the architects published a report that was communicated to CP. Lilia as a replacement to Crema Ella was not approved for two reasons: first, they found the colour lighter. Second, they considered the variation unacceptable. The report also stated that Ionic Stone has not been in the approved vendors list of the architectural firm, anyway. Subsequent to the published report, the owner of CP asked if I could come to Doha at a short notice to meet with the architects again. I arrived in Doha in the evening of 5th June. For the next day, the owner of CP had arranged an informal meeting with the representative of the client without the attendances of the architects and designers. The idea that the architects defended that the specified marble could show

no or very limited colour variation was unsustainable for a large project such as PH. Therefore, we needed to explain the reality but the client's representative could have also been influenced by the architects' decision. To this end, we had visited some prestigious hotels prior to the meeting and photographed the inconsistencies of marble that was installed in these buildings. During the meeting, we explained the impossibility of aiming to complete a large project with only one batch of marble selection, showing the images as evidence to support our claim. In addition, we showed the website of the sample providing US-firm and looked at Crema Ella on their website. The firm had uploaded slab photos of Crema Ella and the slabs did not match the specified sample at all, at least on screen. Following our meeting, the representative of the client asked us to inspect the mock-up rooms together. In fact, compared to the other mock-up room, he implied that he was more satisfied with the room CP had designed. He also called an engineer from the designers' office and asked certain technical details how they could be finished to help the overall design. The representative stated that he and the architects responsible for the design would make an inspection visit to the factory and the quarry, and asked the owner of CP to arrange a plan for the possible visit. The following week, the architects approved of Lilia as the choice of marble to be used in the project as a result of the consultation they received from the representative of the client. However, the inspection visit did not materialise, instead the owner of CP made a trip to factory in the later weeks. On 14th July 2015 CP placed with Ionic Stone the official order, which amounted to approximately US$ 1m. Apart from the constant communication between the mid-level managers in regards with the production status and issues relating to the shipping, there were detailed questions by CP as to the installation method of the marble.

5.3 Summary

This section summarises the key events and facts learnt from the case. The first episode of interaction between the marble supplier, Ionic Stone, and the Qatari fit-out firm, CP, began towards the end of 2014 with an email from the Qatari firm, asking for a product that had been specified by an American architectural practice. The initial exchanges contained information on the product and technicality of the project. The specified product, marble, had been acquired from a US-based marble supplier, therefore it had been given a different name to conceal its origins, understandably. The first set of series of interaction by Ionic Stone was geared towards first initiating a business relationship with CP and establishing Lilia, the marble from Ionic Stone's own quarry, as a product that could be accepted as a substitute. To this end, samples were sent for the architects and the project owners to see the marble. Meetings were arranged to discuss the technical side of the installation and in all these dealings, the two companies, the marble supplier and its customer partnered in convincing the architects and the project owners. Ionic Stone did not behave outside this partnership and helped its

potential customer, knowing that if the Qatari contractor secured the contract, it would receive a large order. At one point, the architects rejected Lilia as a suitable product that could be used in the project. However, in the subsequent interactions with the project owners, the partnership managed to overturn that decision and secured the contract. The following chapter explains how the Qatari firm was convinced to enter a business relationship with Ionic Stone in winning a large order.

6. Analysis of the case: operationalisation of the framework

This chapter presents the implementation of the framework, which includes the novel approaches such as the relationship capacity matrix and the relationship index proposed in the literature review chapters. In creating the matrix, the two main analytical dimensions, variation of offerings in supply market and importance of purchase are focused on. In addition, in order to phase the activity layer of the ARA model in, the relationship index and its relating methodology are performed.

Building on the empirical data presented in the previous chapter, the study attempts to analyse the development of the focal dyad and the partnership between the two firms using the same chronological structure used to case the case study. The three main relationship episodes presented in the previous chapter. The distinctive phases of each episode are listed in Table 6.1. Even though the episodes are separated from each other, it is acknowledged that the developments in one period connect to the developments in another, and thus it shapes the analytical reflections and outcomes that are possible to draw when analysing the individual relationship episodes.

Table 6.1: Analysis of the interaction within the dyad

Case Study	Periods	Seller's main focus in the interaction
Episode one	10th Sep 2014 – 15th Dec 2014	Ensuring a business relationship is established between buyer and seller
Episode two	16th Dec 2014 – 14th Jul 2014	Joint-selling to the client of the customer. Dealing with approval issues and addressing a critical incident
Episode three	15th Jul 2014 – 11th Nov 2017	Delivering the order and resolving issues as they arise

The thesis proposed three research questions in the introduction of the research that will help frame the analysis of each specific relationship episode. These research sub-questions were:

1) *What are the situational and environmental underlying factors that regulate the development of an industrial relationship and what are these factors*?
2) *To what degree can business relationships progress*?
3) *How can the marketer create B2B selling tactics to establish new relationships and improve existing ones*?

These questions will be used to compare and put emphasis on specific issues revealed in the case. The section begins with the outcomes that were obtained as a result of the relationship built between

the buyer and the seller; Ionic Stone and CP. Then, the analysis of the first episode, in which the relationship building occurred, is made in depth, using all the tools described in the literature review. As the second episode is affected by the outcome of the first episode, the analysis of the second episodes are made accordingly. The third episode is related the fulfilment issues as a result of earlier series of interactions, therefore it is out of scope of the study.

6.1 Achieved results

The period within which the purchase decision was taken and the order was placed with Ionic Stone, covered a duration from Sep 2014 to July 2015, which was over 10 months. During this period, many actions, reactions and interactions took place between various actors in the network. The result was the amalgamation of the work carried out by the partnership of the focal firms towards only one goal, winning the order. The mood of the decision makers began with a neutral stance towards Ionic Stone and CP partnership, at first it turned to a positive attitude, gradually shifting to negative. However, at the end of this period, the marble was approved and the related order was given to Ionic Stone. The resulting order was placed despite the following points:

1) Product: the marble that was approved by the architects was not their natural choice. The specifiers evaluated several aspects in regards with the purchase process and the sellers:
    a. *Product specification*: whether or not the marble was similar to the specified material. After the first meeting, they were sufficiently convinced that the marble samples conformed to the specified material. However, at later stages, once they started seeing samples over larger areas, they altered their opinion until the representative of the client intervened in the decision making.
2) Company: Ionic Stone was not in the approved list of suppliers for the project. The decision makers also considered:
    a. *Credibility*: whether or not the company had undertaking prestigious projects before;
    b. *Problem-solving ability*: whether or not the company could produce such a large quantity without any problems;
    c. *Transfer-ability*: whether or not the company could deliver such a quantity on time.
3) Price: CP & Ionic Stone partnership proposed to charge relatively higher prices than those of the competition. Although the architects stood neutral on the issue of the pricing, the contractors were against such high prices.

The following section endeavours to explain that the order was achieved as a result of the partnership and a relationship was formed between CP and Ionic Stone. The underlying factors that managed the relationship development were analysed with the framework set out in the literature

review section, and following the formation of the relationship, necessary tactics shown by the framework were used in order to influence the purchase decision.

6.2 Analysis of episode 1

During the first episode, Ionic Stone's aim was to establish a working relationship with CP, who had secured the fit-out contract with the contractors of the project, OB & HBK Contracting partnership. The analysis is made by employing the implementation framework, explained in Section 4.6.2.

6.2.1 Step 1: the determination of possible relationship strength

The two variables, importance of purchase and variation of offerings in supply market, are combined to determine the relationship capacity, the maximum possible strength of the relationship that the parties can accomplish between them. This step constitutes the analysis of the current situation; it aims to define the relationship character and the outcomes of the relationship if the parties wish to establish a relationship in the current perceived situation.

6.2.1.1 Importance of purchase

Marble is used as a finishing product, along with other finishing items such as furnishing and lights. However, compared to other fit-out items, when selected as a general covering material, marble occupies more area in interiors than any other products. Also, marble is associated with luxury. Prestigious projects use marble as the main covering material in many areas. A light-coloured beige marble was specified in many places of PH; the main entrance, reception, restaurants, meeting rooms and WCs; basically in all common areas, and the bathrooms in the guestrooms. In addition, the same marble was designed as a cladding material in the common areas including columns. The architects explained that the reason for primarily using one type of marble throughout the project was to provide design integrity and comprehensiveness in the project. They had specified a light colour to allow more light in all the areas, and beige colour to enable warmth across the spaces. Understandably, the architects wanted as little variation in the marble as possible to ensure smooth and homogeneous dispersion. The marble was the main element in the design and it was used in every area of the hotel. In the case that a sub-standard type of marble had been laid, the effect of the design would have deteriorated; the positive impact of any other elegant design element would have been rendered ineffective. As a result, the architects at the site wanted to create a perfect fit for the design, and to fully comply with the specified materials.

Furthermore, it could be argued that the overall project was deemed extremely significant for two main reasons. The first, the entire MD project indirectly belonged to the Qatari government, who

spared no expenses for the project. Thus, the project accommodated many "firsts in the world" such as "the world's first sustainable downtown regeneration project" and "the world's largest collection of LEED certified buildings". The second, the phase-3 of MD regeneration project was OB's first project awarded in Qatar. The corporation intended to penetrate the Qatari construction market and explore more opportunities in Qatar where demands on construction such as stadiums for FIFA World Cup 2022 were increasing.

The project's importance was manifested in the formation of the decision-making unit (DMU) and in the adherence to formal procedures and organisational rules. The DMU involved multiple number of persons from different departments, and had a complex decision-making process. Similarly, the decision making took long time; any decision had to be consulted and discussed internally at every department before the final decision could be taken. The main decision making was centralised, and low and mid-level managers were not involved in the discussion. The fact that all the meetings I attended to involved the heads of departments and the attendees were cross-departmental, shows the seriousness of the situation and the value of the work to be awarded to the sub-contractor.

In the lights of the above, the importance of purchase was deemed high by the project owners. Comparatively, it is fair to say that there were many other items, the importance of which were as high or even higher, but the purchase of the marble was quite close to the highest possible degree of the importance (Figure 6.1).

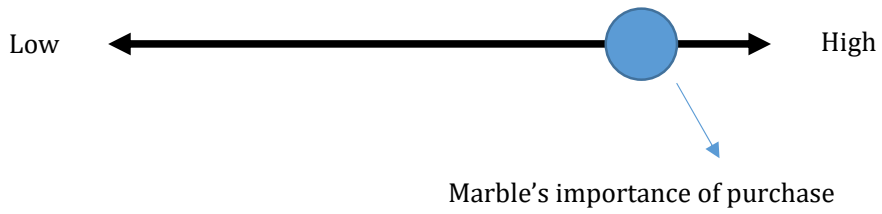


Figure 6.1: The scale indicating the marble's purchase importance

6.2.1.2 Variation of offerings in supply market

In general, when confined to the locality of the city of Burdur, there are many similar types of marble quarried. Especially, the types of marble extracted in the area of Yesilova, greatly resemble to one another, and may only differ in minor details, such as the structure of the veining, and minimal

variations of the background colour. As most materials mined from the nature, marble is very close to being deemed a commodity. The processing technics of the marble do not differ either (see Appendix 9.1). Apart from negligible distinctions in the production, the manufacturing process adopted and the machines used are exactly the same. The beginning of the interaction between the seller and the buyer coincided with the time that the specific natural stone sector had been suffering from a reduction in demand; which led to surplus in supply, so similar materials were widely available from the factories clustered in the cities of Burdur, Isparta and Denizli. All these facts implied the product that CP had been seeking was widely available from many factories and they were all substitutable, making the variation between the actual products minimal.

At the first meeting with the owner of CP, he stated that they had contacted many marble suppliers in Turkey, where beige marble was in abundance. He also stated he had obtained quotations from these suppliers and their prices were more or less at the same levels, except that of Ionic. In other words, the customer considered the variation of the products on which he had obtained the relevant information from various suppliers, very low. The customer's perception of the variation dimension, however, was associated to the *actual product*. Accordingly, Figure 6.2 exhibits the degree of the customer's perception of the variation of the actual product on the axis.

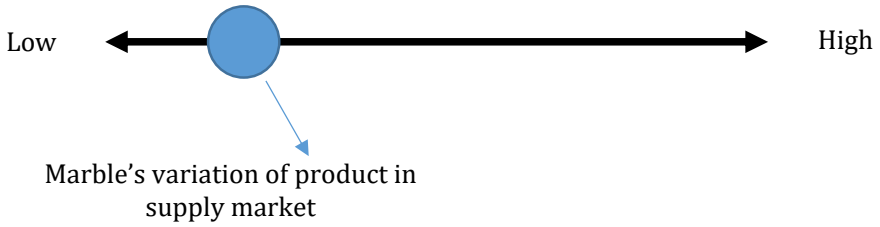


Figure 6.2: Perceived variation of product in supply market

6.2.1.3 Relationship strength matrix

Based upon the results of the variables, the *strength* of the possible relationship can be visually placed on the matrix (Figure 6.3). It is important to remark that the determination of the strength is the function of the purchase importance and the customer's perception of the *variation of the products* to which the customer has been exposed in the supply market. The terminology of *product* includes the related services, but as it will be discussed in the next section, it does not include the unlinked activities which will be identified as a result of the relationship index analysis, which will

be proposed in the offering. It is worthy to elaborate that Figure 6.3 exhibits a typical possible relationship that could have been formed between CP and any other marble supplier.

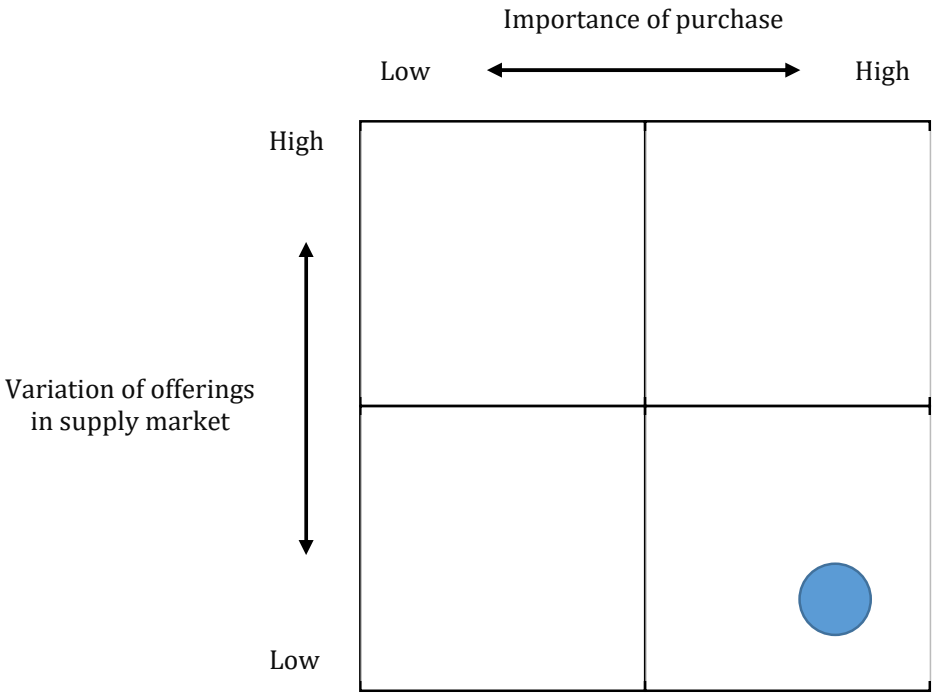


Figure 6.3: Possible relationship strength

In situations characterised by high importance-low variation, the comparison between the theory (see Section 4.3.5.3) and the findings of the case are made in Table 6.2. The matrix indicates the general position of the competitors based upon the customer's perception as the customer did not see any major differences between the candidates for the marble supply contract. Therefore, the strength of a possible relationship that could have been established with any supplier may not have exceeded the episodic level.

Table 6.2: Relationship character comparison between the theory and the case findings

Theory	**Case findings**
The product is widely available in the market, but it does not differ greatly.	The finding is consistent with the theory.
The low variation of product reduces the risk of the customer's making the wrong choice.	The finding is consistent with the theory. Originally, the customer's perceived risk was low. However, this perception changed after the discussions as a result of the systematic manipulation carried out by the seller.
Due to low variation of the product, the price levels are similar.	The finding is consistent with the theory; the prices obtained were more or less similar, except that the seller was able to charge much higher price levels.
Due to increased importance of purchase, the seller is evaluated on the price along with the transfer ability.	The finding is consistent with the theory. The architects and the owner of CP stressed the significance of timely deliveries repeatedly and asked information to prove this fact.
The buyer has contingency suppliers.	The finding cannot be validated for this proposition. To asses if the finding is consistent with the theory, a business relationship should already have been established between the parties to see if the buyer had a contingency supplier.
Decision making is decentralised but it is controlled by the top management.	The finding is *partially* consistent with the theory. The decision making was centralised and formal procedures were followed in making the decision on the marble supplier. This may be partly explained by the fact that the case is about an important one-off order, which means that the top management is involved in the process of the purchase from the beginning of the relationship. This finding might be consistent if the case involves the relationships that comprise repeated purchases and episodes.
Adaptations to production facilities are possible on only one side of the interacting parties but not necessarily to the product.	The product in question was a fairly standard product; the changes referred to the specification of the product, not to the production systems.
Switching costs are not high but changing a supplier may take a long time.	The finding is *partially* consistent with the theory. It was accurate that the switching costs were low. However, the theory could not be verified if the switching would have taken a long time.

6.2.2 Step 2: activity list and relationship index

The methodology of the identification of the activities was explained in Section 4.4. When such methodology is applied to the case, and the weight and supplier involvement are determined, the

relationship index for the current situation can be produced (Table 6.3). In total, fifteen activities were identified. The process began with the customer enquiring for the availability, the price and general information on a specific product via a detailed email. There were a few exchanges of information between the parties. The subsequent activity entailed a sampling request. The samples were required to show to the architects for preliminary approval of the marble so that the process could move on to the next stage. The most of the relationships established by Ionic Stone are usually initiated with similar sets of activities; the pricing and relevant photo requests via email and then actual samples are demanded. As nearly all the relationships begin in the similar way, these two sets of activities can be branded as *relationship triggers*. The involvements in these two sets of activities were reciprocated by Ionic in the same way, therefore the involvement of the both parties were equal to these specific processes.

The following process involves, in general, those activities with which effective linking can be made between the buyer and the seller. Under normal circumstances, the customer is left alone in their interactions with their clients down in the supply chain. When there is not any established relationship or trust between the parties, the customer deals with the client on technicalities that cannot be addressed without the supplier's involvement, and the customer should be working very hard in order to obtain necessary information from the supplier so that information can be conveyed to the client in a duly and timely manner. This, in turn, leads to a high level of effort on the customer's part and possible miscommunication between all the parties. For instance, Activity #3 involved the customer's meeting with the architects after the samples of the product were received by the customer. The samples needed a preliminary approval by the architects to move on to the next phase in the purchase process. However, there was a substantial contribution the supplier could make in convincing the architects by answering the technical enquiries during the meeting, rather than the customer attempting to find out the answers to these enquiries. The existence of the supplier in the meeting could shift the focus from the product (samples) to the problem-solving and transfer-abilities of the supplier. Such an involvement on the supplier's part should allow for a speedy progression and thoroughly answering to the architects' questions, which might result in the perception that the supplier was capable of undertaking such a project. This is the main reason why Activity #3 (presentation of the sampling to the architects for approval) bore such a significance, and thus the weight of the process scored the highest possible value. Tackling ad-hoc issues that can arise during the episode provides an enhancement on the customer perception of the supplier's problem-solving ability. The processes that involve ad-hoc issues can be labelled as *relationship enhancers*. As these issues occur unexpectedly, resolving them leads to the belief that the supplier is sufficiently capable of handling issues, which in turn improves the strength of the relationship in the eyes of the customer. The last three activities in the list could be identified as relationship enhancers.

Once the activity list is created, and the subsequent calculation of the relationship index can be made, there emerges the opportunity of increasing the activity linking between the firms. Activity links can only be increased by jointly carrying out the activities involved in the purchase process. The seller can *target* specific activities and increase its participation in them. To a certain extent, the activity list was determined prior to the meeting of the parties in Dubai, and once the meeting took place, based upon the discussions, the final activity list was determined. Ionic Stone reconsidered the activities in the list and the new indexing table was created as a result of the targeting of the activities that could be undertaken by the supplier (Table 6.4). The difference between Table 6.3 and Table 6.4 is to what degree the supplier can be involved in the purchase process. In other words, the supplier involvement indicates the level of undertaking by the seller on behalf of the buyer. As a result of the *targeted activities*, the relationship index was improved from 19.04% to 51.92%. The first table refers to a typical selling situation in which only twenty percent of the activities related to the purchase process would have been performed, whilst Ionic Stone aimed to offer joint-selling to the project owners by conducting approximately half of the project-related activities. In other words, Ionic proposed to create activity links so that the relationship could begin at a higher strength level.

It is important to note that it would be rather unfeasible and unthinkable for the index to reach the value of 1. The reason stems from the basic fact that for the index to be 1, the supplier involvement for all the activities need to be – without exception – one hundred percent, which means all the work in relation to the purchase process should be carried out by the seller. This, in practice, would not be conceivable as it implies that the supplier does not need the buyer to sell to the client of the buyer. Even though the higher the index, the stronger the relationship, the index could not possibly reach high values because the buyer has to be involved in the selling process, and the maximum level of the index should be determined on case-by-case basis, and no generalisation should be made as to the maximum level to which the index can reach.

Table 6.3: Relationship index for a typical relationship

RELATIONSHIP INDEX					
#	main purchase process of customer: activities	importance	customer involvement	supplier involvement	weighted average
1	Request for pricing and general details on the product (*relationship trigger*)	1	50%	50%	0.96%
2	Request for sampling (*relationship trigger*)	1	50%	50%	0.96%
3	Presentation of the sampling to the architects for approval	5	100%	0%	0.00%
4	Ensuring the technical properties of the product conform to the specification	4	70%	30%	2.31%
5	Conducting certain tests on the product	3	100%	0%	0.00%
6	Holding cross-departmental meetings to discuss technical issues	4	100%	0%	0.00%
7	Requesting modification in design and specifications	3	70%	30%	1.73%
8	Obtaining the final design for processing	5	100%	0%	0.00%
9	Preparation of mock-up room for final approvals	5	70%	30%	2.88%
10	Establishment of method statement for installation	5	100%	0%	0.00%
11	Holding final approval meeting with the client and the architects	4	100%	0%	0.00%
12	Ordering process	3	30%	70%	4.04%
13	Modifications in the order (*relationship enhancer*)	4	40%	60%	4.62%
14	Random visits to the factory to check the status and quality (*relationship enhancer*)	2	60%	40%	1.54%
15	Installation process, addressing practical issues (*relationship enhancer*)	3	100%	0%	0.00%
		52			19.04%

Table 6.4: New relationship index as a result of activity linking

RELATIONSHIP INDEX					
#	main purchase process of customer: activities	importance	customer involvement	supplier involvement	weighted average
1	Request for pricing and general details on the product (*relationship trigger*)	1	50%	50%	0.96%
2	Request for sampling (*relationship trigger*)	1	50%	50%	0.96%
3	Presentation of the sampling to the architects for approval	5	30%	70%	6.73%
4	Ensuring the technical properties of the product conform to the specification	4	30%	70%	5.38%
5	Conducting certain tests on the product	3	0%	100%	5.77%
6	Holding cross-departmental meetings to discuss technical issues	4	30%	70%	5.38%
7	Requesting modification in design and specifications	3	30%	70%	4.04%
8	Obtaining the final design for processing	5	100%	0%	0.00%
9	Preparation of mock-up room for final approvals	5	70%	30%	2.88%
10	Establishment of method statement for installation	5	50%	50%	4.81%
11	Holding final approval meeting with the client and the architects	4	60%	40%	3.08%
12	Ordering process	3	30%	70%	4.04%
13	Modifications in the order (*relationship enhancer*)	4	40%	60%	4.62%
14	Random visits to the factory to check the status and quality (*relationship enhancer*)	2	60%	40%	1.54%
15	Installation process, addressing practical issues (*relationship enhancer*)	3	70%	30%	1.73%
		52			51.92%

6.2.3 Step 3: determination of relationship capacity

The creation of the relationship strength matrix (see Section 6.2.1) showed the characterisation of a typical relationship that CP would have formed with any of the competitors of Ionic Stone if CP had decided to partner with one of the alternatives. The low variance between available products and the indifference of the services of the suppliers diminished the need for interdependence between the parties, even though the purchase was deemed important by the customer and their client. The possible inclusion of the activity linking in the offering changed the perception of Ionic amongst the other offers of the rivals. Figure 6.4 represents the change in the variation of offerings on the axis.

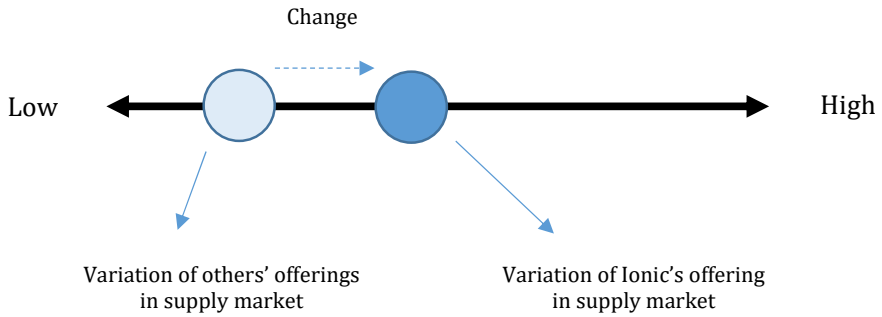


Figure 6.4: Variation of Ionic's offering in comparison to those of others in supply market

As the second variable of the matrix (importance of purchase) on the whole remains unchanged, the maximum relationship strength (the relationship capacity of the case) can be displayed in the matrix and the grid position is seen in Figure 6.5. In the matrix, "T" indicates a typical relationship that would have been formed with any of the competitors, and "AL" symbolises the product with the activity linking. The changes in the degree of the variation is limited to the particular quadrant of the matrix (HL) and may not transcend beyond the mid-point. Any further change in the variation shifts the relationship capacity to HH grid; and by definition of the matrix, the relationship capacity in HH quadrant is characterised by products that are jointly designed by suppliers and buyers. Furthermore, the changes in social and physical resources are expected in such relationships. Since Ionic Stone-CP relationship did not affect any of the resources and the end-product was not designed together by the parties, the shift in variation was limited to the HL quadrant. Based upon the previous step, the growth potential can be quantified using the value differences of between the relationship indexes, which amounts to thirty percent approximately. However, if the supplier does not deliver

on the promises and undertake all the targeted activities, then the growth potential cannot be fully fulfilled. Then, the shift of the variation between a possible typical relationship and the one with activity links is narrowed.

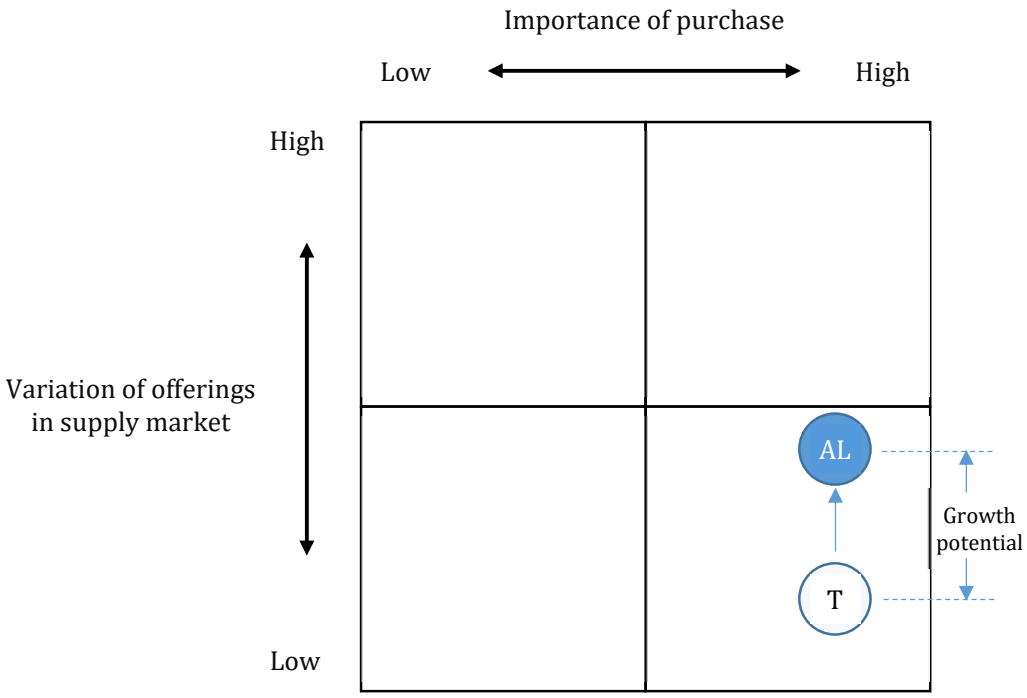


Figure 6.5: Relationship capacity matrix

The relationship character can show various changes of focus as a result of the variation shift. As the capacity nears the HH quadrant, the need for the establishment of an involved and deep business relationship is amplified. Despite the fact that the supplier's transfer ability and the price are the main focus on the HL quadrant, the price loses its effect in a position close to the HH quadrant. Lessening-effect of the price is an essential dimension that the seller should be aware; the customer will be prepared to pay a certain premium on the price for the perceived variation between the offers of the supplier and the competition. The problem-solving ability of the supplier gains potency, but yet the product is not mutually designed. Necessary information dissemination from the supplier to the buyer also becomes significant.

6.2.4 Step 4: relationship development strategy and manipulation tactics

The aim of the business marketing is to provide necessary information and suitable methods for sellers to increase sales volume in the right way. Based upon that concept, Ionic Stone's goal was threefold: first, to secure the order; second, to increase the sales price (and the profit) in comparison to those of the competition; and third but most significantly, to form a business relationship via which the customer keeps Ionic Stone as the preferred supplier of marble and placing orders for other projects. The customer had been in touch with various suppliers, receiving general information and the pricing which were pretty similar. To increase the sales price (and the profit), the offering by Ionic Stone should be differentiated in a certain way. The actual product was pretty similar; therefore, the differentiation should be in the form of the intangible aspects of the purchase. By targeting activities that the customer had intended to undertake on its own, the offering became differentiated. The inclusion of the targeted activities in the offering had to be justified in a way that the customer became prepared to pay a premium on the sales price. Ionic Stone aimed to create the following effects, using the manipulation tactics (see Section 4.5):

1) Emphasising the purchase importance.
2) Differentiating Ionic Stone from the competition.
    a. Highlighting Ionic's problem solving ability.
    b. Showing the incompetencies of the competitors.

Ionic's main tactic involved to supply the customer and its client with certain technical information, of which the buyers were not aware, and with the know-how as to the installation of the marble by pointing up to the specific aspects of the product. The information provided was also such technical information that transcended the knowledge of the typical competitor. Specifically, the information related to the issues that could arise during the installation of the marble. The issues were linked to the production process, which is discussed in Appendix 9.1.

6.2.4.1 Information provided on factors that have a negative impact on installation

The ovening process of the marble requires a reinforcing chemical that is applied over marble tiles so that the natural cracks and holes are filled and bonded, making the tiles crack-free and reducing the degree of fragility. The epoxy is applied to both sides of the marble, the top and the bottom sides. The top side is polished in the polishing line and the excess epoxy is removed from the surface. However, the bottom side remains covered with the chemical, which is water-proof, which creates a vast issue in installation. Cementitious adhesives are used in installing marble tiles on the walls and floors. The adhesive is first mixed with water into a thick paste-state and then is spread over the area that is being fitted with the tiles. The adhesive-water mix needs to penetrate into the back of the tile

and the surface over which the mix is spread, so that the adhesion can take place. Usually, contractors working in the field do not adhere to any criteria such as those in British Standards, which explains how to install the tiles and the specific type of the adhesives that should be used in installing epoxy-applied marble tiles. They do not even apply special adhesives; to reduce the cost, the contractors use sand and cement mortars. Similarly, neither CP nor the architects had known about the epoxy-related issues. Long before the meeting in Dubai between the parties, the executive architects had specified the adhesives which were not suitable. The exchanges of the emails prior to the meeting included the information on the adhesives and the impregnators. The unsuitability of these products was mentioned to the owner of CP during the meeting, raising the uncertainty level of the customer. The issue was in the activity list prepared before the meeting, and was brought up by Ionic on purpose during the discussions in Dubai.

6.2.4.2 Information provided on installation method employed

One other area of issue that can arise during the installation is to the method adopted for the installation of the marble tiles. In the Gulf States, the installation method is outdated and does not conform to the British or American Standards, to which the executive architects subscribed. However, architects are usually not equipped with the suitable knowledge of the installation of marble as it is a very rare and specific subject. Writing a method statement for the customer was one of the activities that was to be undertaken on behalf of the customer (Activity #7). Therefore, the installation method was also brought up in the first meeting with the owner. This issue was the most important subject for the owner and triggered the owner's invitation to Doha for the meeting which was to be held the next day at the site.

Providing the customer with the highly technical information that related to the installation stage and the peripheral products were required during the installation such as adhesives, raised the product and market uncertainties of the customer: the owner understood the issues surrounding the installation were not as simple as he thought they were. Moreover, the suppliers he had been in touch with had not mentioned such issues. In the midst of the unknown he accepted the involvement and responsibility sharing offered by the seller. These tactics used by Ionic led to the initiation of the relationship between the customer (CP) and the seller (Ionic Stone).

6.2.5 Step 5: reformulate the offering

The fifth and the final step comprises the creation of the offering, which was defined as *products & related services with linked activities*. Obviously, a formal offer could not have been made since the meeting took place at the Big5 exhibition and during the meeting the owner decided to invite me to

the next day's meeting in Doha. However, the offering as result of the analysis made prior to the meeting was more or less prepared: including the problematic issues in the offering such as jointly specifying the peripheral products and writing up a method statement for the customer. The activity list was entirely contained by the offering. Concurrently, the focus of the customer shifted from the pricing onto the technicalities of the project.

Providing appropriate information to the owner of CP helped differentiate the offering from those of the other suppliers that they had obtained to date. The sales staff of Ionic adopted an educational role, delivering satisfactory and duly information that underlined the problem solving and the transfer abilities of Ionic Stone. Ionic Stone's tactic entailed CP to make more comparisons about the degree of activity linking: what activities that the suppliers proposed to undertake on behalf of CP. Ionic Stone conveyed evidence that Ionic's offering was distinguished in terms of the solutions available to the specific problem of the buyers.

6.3 Analysis of episode 2

Ionic's aim in the first episode was to trigger the customer's decision on initiating the relationship between Ionic Stone and CP, and it was achieved. The customer accepted to undertake joint-selling to its client. As a result, Ionic was invited over to Doha for the meeting with all the relevant parties taking part in the project. Several days after the meeting, it was confirmed that Ionic Stone was shortlisted.

The customer had considered the acquisition of the marble as fairly straightforward, and the installation as equally uncomplicated. The provision of the highly technical information to CP changed its perception of the contract and the work involved. The analysis of the second episode is related to the flow of information from the buyer-seller partnership to the contractors and the architects. It examines how the information provided changed the perception of those that had designed the project, and whether this change affected the decision making of the contractors and the architects in favour of Ionic Stone.

6.3.1 Changes in buying behaviour as a result of manipulation tactics

My first encounter with the client of CP was made during my first visit to Doha for the meeting, to which I attended as a result of the discussions with the owner and the head designer of CP in Dubai on the previous day. The information provided included how and why certain specifications of the marble impaired the installation performance (see Section 6.2.4.1) and how and why the installation method CP had intended to use was not appropriate for the fixing of the marble (see Section 6.2.4.2).

During the meeting, issues related to the selection of the marble was not brought up; rather, the same issues that had been discussed with CP on the previous day were raised, as these issues had to be addressed regardless of the marble that would be selected for the project. My meeting in the site also presented an opportunity to inspect the areas where the marble was to be laid, which enabled me to write up a suitable installation method.

Providing highly technical information mentioned above led to the intensification of the following actions, which are quite consistent with the theory:

1) *Adherence to the formal procedures in making the decision:* the owner of CP relayed the highly technical information to the architects when in Dubai. He iterated to the specifiers that the main issue was to focus on the technicalities of the marble contract, rather than selecting of a material. The next day, the meeting was attended to by all the relevant heads of the departments, including the representative of the client. Following the first meeting, the awareness of the technical issues resulted in the increasing observation of the formal procedures and high level of information sharing.
2) *Cross-departmental participation in the decision making process:* the first meeting saw all the chief designers participating in the meeting. In addition, the representative of the client expressed his desire of being involved in the decision making. Even though the contractor was only interested in the financial aspect of the marble contract, they were never absent of any meeting that took place.
3) *Contacting other suppliers in the market:* Once the technical information began to be discussed, the information needed to be independently verified. The issues raised were conveyed to the suppliers that had been communicated with in the past, and the answers were expected. However, some of the suppliers were not even aware of these issues as these suppliers worked "supply only" basis. The others provided either incomplete or inaccurate information. All the findings obtained from the suppliers were verified against ASTM (American Standards).
4) *Endeavours to sticking with the known suppliers (approved supplier lists)*. Towards the end of the second episode, the architects formally recommended against awarding the contract to Ionic Stone, and informally advocated for the selection of the US-based firm. Even though the reasons stated in the report were not relevant to the installation aspect of the contract, the report's reference to "*approved vendor list*" implied the underlying motive.
5) *Asking for the names of previous projects to which Ionic Stone had supplied materials.* The specifiers repeatedly asked for the projects for which Ionic Stone had supplied materials to date. It was definite that the buyers' market uncertainty was elevated and they were trying

to bring down the perceived risk by requesting references, which ensured Ionic Stone's problem solving and transfer abilities.

When the buyers (CP and the contractors, the architects, the project owners) enquired with the known suppliers about the technical issues, they mostly received inadequate responses. Under normal circumstances, the information sought should be known by contractors, not by suppliers. However, this was hardly the case. The information search resulted in an even longer decision-making process and a more rigorous progression on the supplier selection. On the surface, it seemed to work out to the disadvantage of Ionic as the number of the suppliers contacted increased considerably. However, Ionic's tactic was to differentiate itself from the competition, therefore it was quite expected for the buyers to try and see if such differentiation really existed. As the information was being obtained from different channels, Ionic Stone proposed the activity linking: it offered to undertake some activities on the behalf of the buyers and by doing so, it assumed certain degree of responsibility. The main proposed activities for the installation were to find and test suitable adhesives and writing up a method statement for the installers to follow. As well as differentiating the Ionic offer from those of the rivals, such proposition put Ionic Stone-CP partnership in a favourable position and as a result it was shortlisted alongside a Dubai-based firm.

At later stages of the episode, the information sought changed from the aspects of the installation to the selection of Lilia. By then, Ionic Stone was shortlisted and its marble – Lilia – was being considered as one of the two choices. The designers were trying to match the colour of the marble to the original sample, which was a small marble that did not exhibit the colour variation of a natural material. However, lacking necessary knowledge of natural materials, the architects needed to be provided with more information on marble.

6.3.1.1 Information provided on selection of marble

The real threat for not selecting Ionic Stone was related to the issues surrounding the selection of the marble: the background colour, the movement and the veining of Lilia. As a result of the emphasis on the purchase importance, the architects' high market uncertainty brought about the adherence to a known supplier, the US-based firm, from which the specified sample had originated. The original sample was small-sized, which did not indicate all the possible permutations present in the marble. After lengthy discussions with the specifiers, even though Ionic Stone had been shortlisted as one of the two companies, the architects published an intra-company report which advised of not awarding the contract to Ionic Stone for two reasons:

1) Ionic Stone was not in the approved suppliers' list;
2) Ionic's samples were lighter than the original sample.

Due to the lack of knowledge, the architects considered marble as a product, the properties of which such as the colour and the variation, could be controlled. Additionally, when faced with the reality, they were still insistent that the colour and the veining had to match the original sample. It was substantially evident that the architects' perceived risk was quite high and they were afraid of making the wrong choice. The only way to address their high perceived risk was to convey the accurate information to the representative of the client, who was the top decision maker. The case presented to him was supported by carefully selected references. The information passed associated with the nature of marble and how to overcome the selection differences. The representative of the client became convinced and recommended the architects award the contract to CP-Ionic Stone partnership. His recommendation was based upon the belief that the partnership was capable of delivering for the project. His trust resulted from the information dissemination, of which they had not been aware prior to the first meeting with the partnership.

6.4 Conclusion of analysis

The main attempt of this chapter has been to operationalise and validate the novel conceptual models (the relationship capacity matrix, Section 4.3; the relationship index, Section 4.4.2) and the methodological framework (Section 4.6.2) proposed. Using these two practical tools, the marble supplier successfully initiated, developed a business relationship that had not existed and won a large order by acting and interacting in a network of companies. Two episodes were in the analysis; the first dealt with the initiation of the relationship. This process addressed the perceived risk of the customer. In doing so, it followed the five-step framework:

Step 1) Importance of purchase was shown to be relatively high but the variation dimension was fairly low. Relationship capacity, in its current form, was low, and the main focus of the customer was on price. In fact, Ionic Stone was one of the many companies from which relevant pricing information had been asked.

Step 2) The list of activities was identified through the methodology discussed in section 4.4.2 and the relationship index was calculated. The original index was around 20%, whereas the index recalculated with activity linking was over 50%.

Step 3) Based upon the results of the Step-2, the relationship *capacity* of the case was determined. As the capacity neared the HH quadrant, the need for the establishment of an involved and deep business relationship was amplified. Despite the fact that the supplier's transfer ability and the price were the main focus on the HL quadrant, the price lost its effect in a position close to the HH quadrant. The contractor, therefore, paid a certain premium on the price for the perceived variation of the offering of the Ionic Stone-CP partnership. The problem-

solving ability of the supplier gained potency, but yet the product was not mutually designed. Necessary information dissemination from the supplier to the buyer were shown to be significant.

Step 4) The growth potential of a particular relationship was fulfilled with the inclusion of the possible activities that could be undertaken on behalf of the customer. However, to explain to the customer why and how the inclusion should be made, the manipulation of the perceived uncertainty of the buyer in different ways was required in order to generate the behaviour effect in Ionic's favour. As a result, relationship development strategies were created.

Step 5) The seller's offering was reformulated in the light of the results stemming from the analysis and recommendations of the previous steps.

The analysis of the second episode was related to the flow of information from the buyer-seller partnership to the contractors and the architects. It examined how the information provided changed the perception of those that had designed the project, and whether this change affected the decision making of the contractors and the architects in favour of Ionic Stone. In fact, this episode presented an exemplary case in line with INA, the central concept of which indicates that actions and interactions in a dyad will affect and be affected by a wider network of companies (Hakansson & Johanson, 1992; Ford, Gadde, Hakansson, & Snehota, 2011). To this end, the contractor was influenced with the information flow, which was essentially regulated to "manipulate" the perceived risk and the subsequent decision-making. The partnership became successful and won the order, which in the end totalled well over $1m USD.

7. Further validation

The case study introduced and analysed with the proposed framework offered an in-depth investigation into how a business relationship was initiated and developed in winning a large order for an SME and was found supporting the framework developed in view of the original research questions. However, there are some general opinions that single case studies may not offer better explanations (see e.g., Yin, 2011; Eisenhardt, 1989), therefore their findings may need to be validated. To this end, I turn to expert knowledge that can help confirm the validity of the case and provides an assessment on to what degree the reality on the business field can support the findings from the analysis of the case. This view can also help avoid concerns that may be arisen with respect to the subjectivity of the case and the transferability of the knowledge demonstrated by the case.

The main research question of this chapter is to establish *whether or not the variables of the RCM* (please see 4.3.1) *can be drawn from the empirical data*. In other words, the work aims to find out *if the variables of importance of purchase and variation of offerings in supply market are indeed the underlying reasons for developing relationships*. If so, the basis for forming such a model can be empirically substantiated and the matrix can theoretically be further verified.

7.1 Method and data collection

A qualitative approach was chosen for this study because I particularly wanted to focus on using methods appropriate for exploring the interplay between theoretical constructs and an empirically complex phenomenon (Yin, 2011). Since my research goal is to investigate whether or not my findings from the case corresponded to the views in practice, I used expert surveys that included open-ended questions and sought a sample comprising participants who have the best possible knowledge of the research topic. Accordingly, I first sent the surveys to a small group of high-level managers working in B2B environments including sales directors, factory and/or operation directors, and CEOs from 11 different companies with varying sizes in 7 different industries. Conducting surveys with managers who are not involved in B2B environments would not generate valid conclusions. The surveys sent electronically and the responses were also received in the same way. When the answers were unclear or contradictory, further questions via emails/messages were sent and/or WhatsApp calls made sent for further elaboration of the answers. To conclude, I conducted a mix of survey and in-depth interviews (n=11). The subsequent interviews were conducted either in English or in Turkish. The survey can be seen in section 9.2.

Given the known difficulty of acquiring in-depth and holistic knowledge of the phenomenon influencing a B2B case study (Easton, 1995), I established a specific criterion for the qualification of

the participants. In choosing the participants for the study, I sought participants that should have more than 10-years' experience in B2B environments, preferably internationally, and have dealt with operations in at least two different countries, and needed to have an understanding of the concept of long-term relationships between their companies and their respective customers. The surveys contained open-ended questions as well as statements to which the participants give weights, in order to offer a flexible method for grasping the perspectives of the participants (Yin, 2011).

The survey consists of three fundamentally different categories; both in format and purpose. The first category can be regarded as the qualification section and contains open-ended questions that captures the participants' views on relationships. In this part, I focussed on discovering the participants' perceptions of strong relationships; i.e. why they considered certain relationships stronger than others. Based upon their experience, the inceptive part aimed to ascertain their attitudes and their assessments on the topic, while establishing the participants' relevance to the research via questions that elicited general information about their professional backgrounds and their companies. In this category, they were asked to cite from their own experience two strong relationships and why they thought these relationships were strong. A typical question was "why do you think that specific relationship is strong? Please list the reasons in the order of significance" and such questions were open-ended. The second category comprises two tables of statements to which the participants agree or disagree by giving weights. This part is the focal point of the survey; I intended to draw the empirical data through obtaining weights to the statements on the scale of 1 to 10. As a result, the tables explored whether or not the variables of the RCM were in fact the fundamental reasons for developing B2B relationships. The main results of the survey are generated from these tables. Lastly, the participants were given a case in which they contributed to a new product development process by an acquisition of an important component for a car maker. With the case study, I wished to determine if their statements in the earlier stages of the survey as to their perception of business relationships corroborated with the results of the case. In other words, this case of the survey is used to cross-check the answers with the results from the second part, the tables.

7.2 Analysis

My research process of this research is built upon an abductive approach (Dubois & Gadde, 2002), who argue that that in an abductive approach, researchers begin the process with a tight and evolving theoretical framework at the beginning of the study. The tightness of the framework is based on the researchers' preconceptions; however, these preconceptions and the theoretical framework may evolve during the study as the researchers are influenced by empirical observations

(Dubois & Gadde, 2002, p. 558). For this quantitative endeavour, the preconceptions are founded upon the major proposition of this research, which are based upon the two deductions that business relationships are the function of *the importance of purchase to the buying firm* and *variation of offerings in supply market*. Basing the theoretical framework on these two deductions is quite understandable because *I endeavour to provide a further validation to the central concept of the thesis, the relationship capacity matrix*. Compatible with the research process, I explore if the observations made through the empirical data might verify the aforementioned deductions and/or lead to an expansion or a development of the preconceptions.

Reliability was achieved by collecting the data very carefully. Furthermore, the participants were allowed to cross-check the transcribed survey data (Piekkari, Plakoyiannaki, & Welch, 2010). A few follow-up questions were asked via WhatsApp calls/emails/messages when a clarification was needed to increase the reliability and validity of the work.

7.3 Results

Before discussing the results of the empirical data, Table 7.1 displays the information related to the background of the participants. The initials of the participants' names are used to achieve anonymity and displayed next to their positions at their company. Also, the initials are used in the following sections in the survey analysis. All the participants worked at the top level or high-level management of their companies. The group of participants consisted of one board member who had previously acted at the same company as CEO for over twenty years, 4 CEOs or managing directors, and 6 high level directors reporting to their CEOs. The annual turnover of the companies sampled ranged from 12 million to 5 billion USD, whereas total employees working at these companies varied from 75 to 20,000. There were several industries with the most prominent being the automotive. The industries and their relating products are listed in order of complexity and variation; from commodities to highly varied and complex products such as telecommunication equipment.

Table 7.1: Participants' background

Industry	Position	Turnover, USD/year	# employees
Copper processing	Member of board - MK	1.2 billion	750
Textile	CEO - HM	18 million	134
Textile	CEO - IU	12 million	110
Electricity cable	Managing director- FA	47 million	75
Construction	Sales director – MS	218 million	300
Electronics	Factory director - AO	180 million	100
Automotive	Managing director - AC	42 million	385
Automotive	Operations director - OY	245 million	3,000

Automotive	Operations director - ED	124 million	125
Software	EMEA director - PB	40 million	80
Telecommunications	Technical purchasing director - BO	5 billion	20,000

7.3.1 First category: qualification

The first category was created to ascertain whether or not the participants were familiar with the B2B relationship terminology and understood its relating concepts. It was evident that all the participants were able to cite two strong existing relationships, not only based upon the financial magnitude but also the value and the atmosphere offered by them, which led to the belief that the respondents understood the general point of the survey. They also stated their views on why they thought those relationships were strong. The answers included text-book statements such as "trust and commitment", and very unconventional responses such as "we have to, because there are only two major international companies we can work with, and we work with them". During the analysis, the perceptions of the participants were merged into one table to gain a holistic understanding of the phenomenon. All the responses to open-ended questions provided by the participants are shown in Table 7.2, which indicates the list of answers in order of significance. There were other dimensions which are not listed, but these dimensions could be regrouped under other dimensions. For instance, while listing the reasons for relationship strength, one participant quoted:

> *We can know if a relationship is strong when the times are hard. For example, if a customer cancels/postpones their orders or delay payments when there is a certain crisis, we will know that this relationship may not be as strong as you think.*

Another participant elaborated:

> *There are some occasions that we* [as the supplier] *make a mistake and naturally our customer does not like it. If the relationship is strong and has been going on for a long time, you can solve it through communication and sacrifice.*

Such statements can be explained under the dimensions of trust and commitment. The notion of trust-commitment tends to dominate marketing channels research (Brown, Crosno, & Tong, 2019; Morgan & Hunt, 1994). Trust is defined as the belief that one's channel partner can be relied on to fulfil its obligations and to behave in a benevolent manner, whereas commitment is the belief that a channel relationship is so valued that it warrants "maximum efforts" to maintain it (Brown, Crosno, & Tong, 2019). Notable number of participants stated "on time payments/deliveries" as one of the signals for a strong relationship. Based on the aforementioned definition, such notions are also classified under trust and not shown in the table as separate dimensions.

Table 7.2: participant responses to first category

Questions	Responses (in order of significance)
"Why do you think these relationships are strong?"	• Trust • Commitment • Repeated buying pattern • Suppliers' value-added capabilities to customer offerings / Value creation • Alignment and sharing of business goals / Interest commonality • Account size • Monopoly/Oligopoly
"You are a seller of an important component. What would you do to initiate contact with the buyer? / You are buying a critical product from the supply market. What would you expect from the seller?"	• Understand the need • Display value-added capabilities • Offer competitive price • Offer on-time deliveries • Introduce references and/or build on credibility • Provide product/quality certificates • Show commitment

7.3.2 Second category: focal point

The main research question of this work is to establish whether or not the variables of importance of purchase and variation of offerings in supply market are indeed the underlying reasons for developing relationships. As a result of the literature review, the discussion led to the hypothesis that the development of relationships was the function of the two variables. The findings of the case study supported the hypothesis in a practical setting but a further quantitative validation was needed and this survey was created for this purpose. It is in fact this section of the survey that would provide answers to the main research question of the survey. To this end, two tables of statements were produced. The participants rated the statements on the scale of 1 to 10, with 1 being the lowest degree of agreement.

The first table is entirely descriptive, aiming to draw the order of significance of the participants' view on the outcomes of relationships. The table is made up of 7 statements, which were obtained from the extant literature and were the most common characteristics of strong relationships such as trust. Figure 7.1 exhibits the weighting scales provided by the respondents. The statements are abbreviated; s1 being the first statement and so on. As it focusses on the outcomes of the relationship, the table is labelled as the "outcomes" table. In line with the current literature, the participants responded with trust & commitment as the most significant outcomes as strong business relationships. They also thought cooperating in developing products & services and establishing joint activities were also important outcomes. Also in line with the literature, the least agreed statements were the social aspect of relationships, and they did not think social bonds between the parties were as important as the other statements in the table. Statements 4, 5 and 6 were the variables taken from the ARA model as explained in Section 2.3. The answers given by the

respondents to the first table display a thorough understanding of the concept of relationships strength by them.

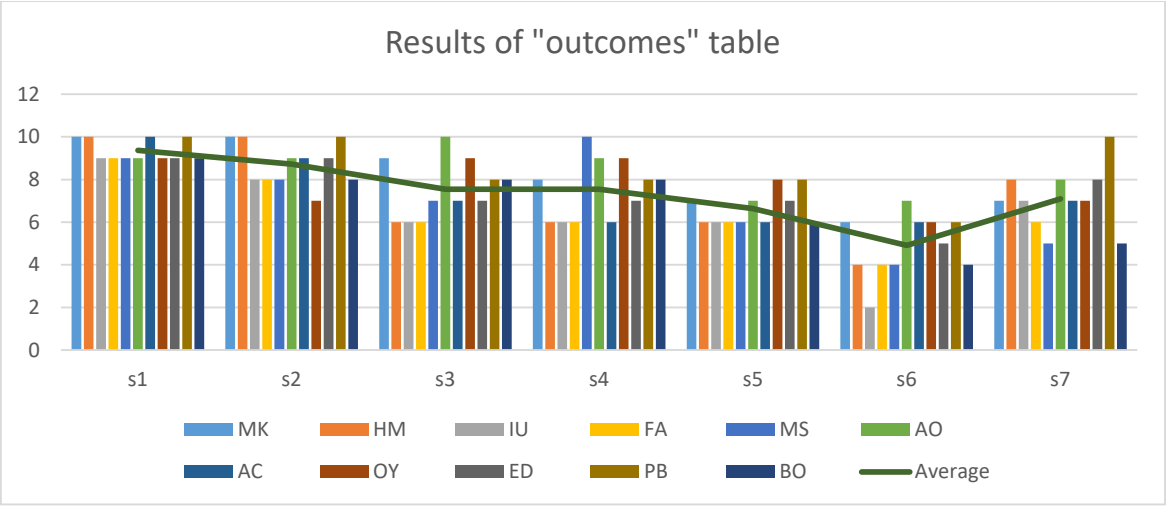


Figure 7.1: Ratings provided by respondents for the outcomes table

The second table, on the other hand, aims to validate the preconceptions which were based upon the two variables, the importance of purchase to the buying firm and variation of offerings in supply market. The central question to the respondents for this table was "what are the underlying factors of initiating/developing relationships?" and there was a specific message that the participants should pay a special attention to the difference between the reasons for developing business relationships and the outcomes. The table is made up of 17 statements, some of which were the outcomes of business relationships as ascertained in the first table (see Figure 7.1). The statements 1 and 17 were directly related to the above preconceptions. The first statement establishes a direct link to the importance of the purchase whilst statement 17 emphasizes the variation in the supply market. Therefore, the intention of this table is to obtain results in which the highest ratings of agreement should be observed for these two statements. The results are presented in Figure 7.2. As in the outcomes table, the statements are abbreviated; s1 being the first statement and so on. As this table strives to find out the reasons of relationships, the table is labelled as the "reasons" table.

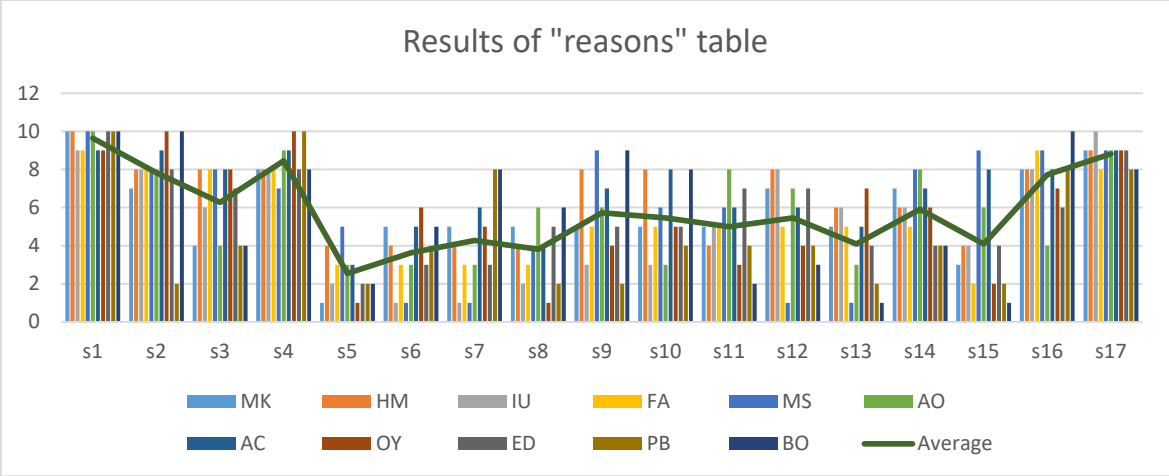


Figure 7.2: Ratings provided by respondents for the second table

In the results, there seems to be a consensus on statements 1, 4 and 17 as the standard deviations for these statements are minimal and they received the highest agreement ratings (9.64, 8.45 and 8.82 respectively). S2 also has the fourth highest rating with 7.82 and s16 rated 7.73, although their standard deviations are higher than the first three statements, 1, 4 and 17. These five statements are distinctly separated from the rest of the statements, and therefore a discussion will be made on these five statements without taking the rest of the table into account. As mentioned before, the first and the last statements are directly related to the preconceptions on which the present research was founded upon. Therefore, the results corroborate with these preconceptions as the reasons for developing business relationships. Interestingly, s4 received the third highest rating, which was very close to s17, which identifies with the variation of offerings in the supply market. S4 refers to a joint new product development process and therefore forming an alliance between the seller and the buyer. Firms create alliances to access external resources for their new products (Bouncken, Fredrich, Ritala, & Kraus, 2020), via which they aim to generate and exploit product knowledge, which allows firms to sustainably differentiate themselves on competitive product markets (Mu, Thomas, Peng, & Di Benedetto, 2017; Bendig, Enke, Thieme, & Brettel, 2018). Academics and practitioners recognise the thought that to capture potential synergy in potential joint operations, firms form alliances that are strategic (Wong, Tjosvold, & Zhang, 2005), which inherently implies importance in the exchange. Therefore, s4 can be regrouped under the importance of purchase, which was obviously stated in s1. Similarly, s2 refers to a product that is very complicated and its purchase involves high risk, under which relationships are developed (Olsen & Ellram, 1997). This statement implicitly shows a characteristic of monopoly/oligopoly, which is regulated by the variation of offerings in the supply market dimension and, which also implies certain importance. Without the product in question, buyers' operations could be interrupted. S16 signifies the result

that the buyer will only select a varied offering, which could be associated with the variation of offerings in supply market dimension. To sum up, the empirical data of the reasons table support the preconditions, and as a consequence, it can be argued that the variables could be recognised as the underlying factors for initiating/developing relationships.

7.3.3 Third category: cross-checking the results

The notion behind the case study is to cross-check whether or not the participants' reactions to the case corroborate the responses they provided to the tables, especially to the reasons table. The case was introduced and the participants were asked to provide answers to four questions based upon their views. There is a direct correlation between the replies to the case and the rating they provided in the reasons table in the survey's second category. In particular, the case questions posit a straightforward link to the variation of offerings in supply market dimension. The four choices of the touch screen in the case, despite being the same in core product sense, are essentially different due to varied add-on services and product features. The case also demonstrates how offerings can be varied in spite of the fact that they essentially fulfil the same task (the definition of offering was discussed in section 4.3.2). Therefore, the case could also validate the concept of offering against empirical data. Table 7.3 summarises the participants' responses to the case questions. There seems to be a general agreement on the proposition; the majority of the respondents (9) believed the products T and C were similar to each other but they were different from J and S. Furthermore, J and S were also differentiated from one another. The differences are exhibited in price, programme language, customisation, warranty and reputation, as well as perceived quality. This might prove that offerings can be varied despite the fact that the core product, a touch screen, could exactly be the same. It is noteworthy to state that two participants felt all the products were essentially different from each other albeit with minor nuances. To this end, the particular result indicates that marketers could differentiate their core products with add-on services and product features that will enhance the end product value. Although they all conform to the standards set by the marketing department, more expensive brands J and S were preferred by the majority of the participants (8). It is interesting to note that those that favoured C (2) and T (1) attributed less importance to the touch screen (3.33 on average), therefore they might have gone with the cheaper options. In other words, as the perceived importance rose, the price became a negligible factor in decision making.

The correlation of the third result could be analysed in two functions; price-importance and price-variation. As the perceived importance intensifies, the price of the touch screen increases and the participants move to the higher priced brands. Equally, as the product choices vary, the buying decision is not made on price only. For instance, those that selected S also regarded the importance as the highest. The average rating for those that chose J and S, the higher priced products, measures

4.5. In addition, J and S were the most distinguished items in the bunch. This particular result supports the notion that as the importance of purchase and the variation of offering in supply market rise, the decision is not only taken on price; in fact, the benefit and the value that can be obtained through the product of purchase become more significant.

Table 7.3: Results of the case study

Variable	MK	HM	IU	FA	MS	AO	AC	OY	ED	PB	BO	Results
Proposition	p1	p1	p1	p2	p1	p1	p1	p1	p2	p1	p1	9 p1, 2 p2
Preference	J	J	J	C	S	J	J	T	S	S	C	5 J, 3 S, 2 C, 1 T
Importance	4	4	4	3	5	4	5	4	5	5	3	4.18

proposition 1	T is similar to C but different from J & S
proposition 2	All are different from each other

5	very important
4	important
3	normal
2	not so much
1	not at all

It was stated earlier that the case study could verify the findings of the reasons table. It does so by looking at the irregularities between the responses of the case study and the statement of the reasons table. For instance, if one chooses J or S due to its increased importance of purchase, they should have highly rated statements 1 and 17 of the reasons table as these statements are directly related to the importance and variation dimensions. Similarly, s2, s4 and s16 are implicitly linked to these dimensions. The idea behind it is that there is a positive correlation between the importance and the price; if the importance rises, the price is increased. Therefore, it produces a statistical abnormality if one gives low weights to s1 and s17, even s16 and then selects J or S because the purchase is important, or vice versa. When the data is scanned across the table, the only plausible indirect irregularity seems to be at s2, for which PB gave a weight of 2, whereas the average rating works out 8.40 without PB's input. As established earlier, s2 refers to a product that is very complicated and its purchase involves high risk, under which relationships are developed (Olsen & Ellram, 1997). This statement tacitly displays a characteristic of monopoly/oligopoly, which is controlled by the variation of offerings in the supply market dimension and, which also denotes purchase importance. PB favoured S because PB assessed the purchase very important (5). It seems to be the only anomaly in the data.

7.4 Conclusion

The reason for conducting the survey and subsequent interviews was to validate the findings from the single case study, which was introduced (Chapter 5) and analysed (Chapter 6) in the framework of this research, which presents a novel approach in initiating/developing business relationships (Section 4.3). I turned to the expert knowledge that could help confirm the validity of the cases and provide an assessment on to what degree the reality in the business field could support the findings from the analysis of the main case of the research. This view could also help avoid concerns that may be arisen with respect to the subjectivity of the case and the transferability of the knowledge demonstrated by the case.

The survey's main research question was to establish whether or not the dimensions that constituted the variables of the RCM (please see 4.3.1) could be validated with the empirical data. In other words, the survey aimed to find out if importance of purchase and variation of offerings in supply market were truly the underlying reasons for developing relationships. The findings from the survey work showed a positive connection to the variables of RCM; the reasons table indicated that the establishment of business relations were the function of the importance of purchase and the variation of offerings in supply market. It did so by also testing and empirically verifying the notion of offering defined in Section 4.3.2. To sum up, the basis for forming the RCM matrix is substantiated and the matrix is further validated.

As with all studies, certain limitations surround this research. Even though the survey data are drawn from the participants with expertise in international B2B sales/purchasing, I must note that they only represent European countries. When selecting participants. I stipulated a criterion that the subjects all must have major experience of B2B relationship environments and be at high levels of management. The participants had conducted B2B operations in France, Sweden, Turkey, Spain, the United Kingdom. Therefore, their own national culture is a Western one. The second limitation could be the sample size (n=11); the number of participants could be enlarged to obtain more accurate findings. Given the recognised difficulty of acquiring in-depth and holistic knowledge of the phenomenon influencing a study, considerable time and resources should have been allocated for this work to expand the sample size. However, as this survey work is only used as a secondary validation to the findings of the main case of the study, the sample size is kept at a feasible minimum that a general view of the phenomenon could be ascertained.

In the future, researchers could continue to investigate real life B2B situations with different types of data (e.g., video recordings) and explore successful and non-successful episodes of sales interactions. Such research would increase our knowledge of how salespeople and customers

actually behave in a competent or incompetent manner. In addition, future studies could take an industry-specific approach and investigate sales situations. We could ask participants to evaluate the situations based on their own sector and products, then we might end up with different results. Such work should not depend on their own general expertise but on their own sector. In this evaluation the RCM can be used for analysis.

8. Conclusions

The overall objective of the present thesis was to contribute to the understanding of industrial relationship development. The main concepts which provided substance to the thesis were the ARA model and portfolio approaches in industrial marketing. The term "*relationship capacity*" was introduced as a novel notion, which was used in the creation of a four-grid matrix for the taxonomy of relationships. Relationship capacity formed its analysis upon the underlying principle of perceived risk. In addition, "*relationship index*" was presented as an original tool in quantifying the strength/capacity of any given existing/potential relationship. The study, then, proposed a methodological framework which assisted in the initiation and the development of business relationships and offered strategies both from intra and inter-firm perspectives. The implications that can be drawn are twofold. First, the novelties of the thesis and their contribution to the extant theory are discussed. Second, how marketing practitioners can benefit from the frameworks and the tools presented here is explained. The final section entails concluding remarks.

8.1 Theoretical implications

This thesis attempted to provide a novel and practical approach to the initiation and development of buyer-seller relationships. It proposed to contribute to the theory through three distinct but linked ways.

8.1.1 Novel terminology

The first distinct proposal of contribution presented in the thesis concerns terminologies with two novel descriptions: offering and interrelated terms of relationship capacity, relationship strength and growth potential. The novel definitions may need further investigation across wide range of business markets in order to view whether or not these definitions can be adopted by a broader research community of the field.

8.1.1.1 Offering

In the prevalent literature, offering is defined as the amalgamation of products, services, advice, adaptations and logistics as well as involved costs (Ford, Gadde, Hakansson, Snehota, & Waluszeswski, 2010; Ford, Gadde, Hakansson, & Snehota, 2002), and is argued to be unique in form and meaning in each specific context and to be an outcome of a process of interaction (Ford, 2011). Hakansson & Snehota (1995) state that the greater linked the activities, the more tied the resources, the deeper bonded the actors, the stronger the relationships. The argument that the material layers

(resource and activity) of relationships between two firms characterise heavy limitations on the actions of the firms has been conspicuously present in the IMP tradition (La Rocca, Hoholm, & Mork, 2017). Actors perform activities, and control resources; resources are used to change other resources in various ways and to perform activities (Hakansson & Johanson, 1992). In this context, it was deduced in section 4.3.2 that *activities are the output of; resources are the input into relationships whereas actors are the processors*. Myriad of resources may be "tied" between firms but they will be used to construct and link activities between them. To this end, activity linking is the layer that is most perceivable by the customer and should be the focus of the supplier. This thesis redefined the original IMP definition and added *linked activities* to it. Offering was therefore defined as *products & related services with linked activities*, which had a clear and pragmatic implication. By amending the definition, offering became a term that could be fully understood by marketing practitioners. The original description, (the amalgamation of products, services, advice, adaptations and logistics as well as involved costs), bear conceptual and terminological heterogeneity that cannot be easily comprehended by marketers. As it was demonstrated in the analysis of the case (section 6.2), linked activities played a vital part in increasing the relationship strength near to its full potential, thus it was required to be a part of the function that helped formulate the new offering. This was only made possible with the refinement of the original definition. Moreover, the revised definition assisted the development of the RCM as one of its variables was characterised by the term of offering: variation of offerings in supply market, which measured the degree of differentiation between the products & services. The analysis of the case provided strong support for the validity of the new definition of offering.

8.1.1.2 Relationship capacity, relationship strength & growth potential

Relationship strength and relationship value have long been researched by marketing scholars. However, potentials of relationships have not been a subject to any academic study. For instance, a simple search in Industrial Marketing Management returns no direct results on relationship potentials (as of April 2020). As shown in section 4.3, in defining the potential of a relationship, further explanatory descriptions were required. When the potential of a business relationship is fully exploited, whether it is strategic or routine, it has an upper limit of strength it can reach to. As a result, the first term was created; this thesis called it the relationship capacity and described it as the maximum possible business relationship strength that could be attained between seller and buyer. The second term concerns the reality; relationship strength refers to the actual and current intensity of the given relationship. Relationship capacity, on the other hand, indicates the maximum potential intensity that can be achieved between the parties. From the two terms, a third term needed to be produced: growth potential, which is the gap between relationship capacity and relationship strength and was defined as one's ability to increase business transactions with the other (Ritter &

Andersen, 2014) and referred to the degree of improvement possible for the relationship. Considering this study described the offering as products & related services with linked activities, one of the ways that growth potential could be realised is by activity linking. In other words, the fulfilment of the growth potential can depend on to the extent to which sellers can relieve them of an activity that the suppliers undertake on their behalf (Blois & Ramirez, 2006).

The terms; relationship capacity, relationship strength and growth potential, were novel definitions proposed by this thesis. This study offered to contribute new terms and definitions to the literature on relationship management that had hitherto not been addressed. By approaching the phenomenon under study through these definitions, one arrived at a deeper understanding of the interplay between the different positions of relationship strength. These definitions were exclusively and extensively used in building the RCM and the 5-step framework and their practicality and applicability were ably demonstrated in the single case study.

8.1.2 Original approach to relationship portfolio

The classification of relationships is often a prerequisite for determining the future direction in which different buyer–supplier exchanges may progress, and is an important operational input feature of strategic sourcing (Ritter & Andersen, 2014). Classification therefore plays a critical role in linking the firm's operational capabilities to exploit strategic opportunities for creating value via relationships. Taking into account the limitations of the current portfolio approaches discussed in section 4.2.1, the RCM brings about unique advantages:

1) Many portfolio models only focus on strategic relationships between buyers and sellers (Vesalainen & Kohtamaki, 2015; Makkonen & Mervi, 2014; Donaldson and O'Toole, 2000; Fiocca, 1982), even if the parties are asymmetrical in size (Talay, Oxborrow & Brindley, 2018; Johnsen & Ford, 2008). However, the RCM proposes four different grid positions in which there are strategies for weak and routine relationships. It was successfully demonstrated in the case that a relationship could be initiated and developed in a market where the product under study was routine and simple; and the switching cost for the relationship was quite low. The RCM offers an evolving insight into the strategies that can be adopted even if the strength of the relationship appears low.
2) Current portfolio models attempt to categorise existing relationships into manageable clusters, but they do not evaluate the potentials of these relationships. With few exceptions, they do not present a dynamic nature either. The RCM makes a distinction between the current and the maximum possible strength of a relationship, with which marketers can consider to what degree the relationship can progress, what changes can occur in the

developmental strategies, how these changes are reflected into the company's operations and what can be done to secure the customer's account.

3) Studies proposing relationship typologies are practically difficult to adopt (Gadde & Snehota, 2019; Leek, Turnbull, & Naudé, 2006). Their dimensions are not easily measurable or quantifiable. To address this issue, RCM was built in a similar way to the BCG matrix; easy to understand and use in real situations. Although its dimensions are based on subjective evaluation of the purchase situation (hence the user friendliness), with constant iterations against the products of the competition, it provides a comparative analysis which reduces the subjective facet of the issue of measurement.
4) The classification variables of portfolio models that constitute the axes have not been academically evaluated (Day, Magnan, & Moeller, 2010). On the other hand, the RCM found its variables rooted in the studies of industrial buying behaviour (Kohli, 1989; Henthorne, LaTour, & Williams, 1993) which suggest that perceived risk has been viewed as multiplicative function of *importance of purchase* and *the amount of uncertainty associated with the outcome of the purchase*. Following from the industrial buying context, the RCM conceptualises relationship capacity as the function of the two variables: importance of purchase and variation of offerings in supply market. The former has long been used in classification of relationships, but it is for the first time that the latter is presented as a variable in a relationship portfolio. The RCM introduced a very unique angle from which it was viewed: other *marketing* portfolio models place the seller in the focal position, and provide a taxonomy for the seller's total number of relationships with its customers. However, the RCM positions the customer in the centre, and analyses the given *existing* or *potential* customer-buyer relationship, and then if necessary, the customer's other *existing* or *potential* purchasing relationships for the same or substitute products/services. This reversal of the focal position in the analysis is in line with the research; Yorke & Droussiotis (1994) conducted an implementation of a customer portfolio model (Fiocca, 1982) that similarly recommended that portfolio analysis can be especially useful if the strength of a relationship is assessed vis-a-vis that of competitors. Similarly, the RCM provides evaluations for product groups; sellers generally have a variety of products, each of which has different specifications and aims of use. Therefore, for the same customer, one product group from the selling firm may be very important, whilst the seller's another product group may be of insignificance. As a result, when the seller has more than one product that it supplies to the buyer and these products immensely differ in the importance and specification, the RCM can handle such a difference as it requires a separate assessment for the both product groups. The RCM proposed four grid positions, each of which was explained in three characterisations. The first was rooted in organisational buying behaviour research and

described the *relationship character* in terms of perceived risk, supplier selection criteria (price, quality, availability etc), degree of centralisation for the decision making, switching costs, and changes in relationship resources (physical, social etc) and relationship capacity. The second was the *activity link focus*, which identifies the *general direction* for the activities that the supplier should endeavour to establish with the buyer, based upon the aforementioned assumptions that *linked activities are the output of a relationship building process,* and *the more the linked activities, the stronger the relationship*. The final dimension indicated the *internal focus*; the processes around which the selling firm should be deploying their resources.

The RCM discussed above presents a new approach to account management – one dimension remains similar to the earlier models, but a novel dimension is introduced as the second variable for the differences of a specific group of products exhibited in the supply market. The RCM can be used on its own to analyse the current buying situation vis-à-vis competitors without any manipulation tactics to influence the buying decision, or within the five-step framework as a tool to offer strategies in strengthening the pertinent relationship.

8.1.3 Contribution to the applicability of the ARA model

Although many studies cited the ARA model, hardly any of them explicitly uses the model to provide explanations of events (Lenney & Easton, 2009). The ARA model is known to be abstract and too generic, which leads to the model being utterly impractical (ibid). The main reason stems from the fact that the unit of analysis is organisations, relationships and people involved, which are very complex and dynamic in nature. Hakansson (2009) argues that the ARA model should be seen as a basic model indicating the main components of how single business relationships are linked to each other and a wider network of firms. The present study, however, made certain deductions, with which one layer of the ARA model was incorporated into the five-step framework, also explaining why the other two layers were not taken into account. According to Hakansson & Johanson (1992) actors perform activities, and control resources; resources are used to perform activities. Also, the material layers (resource and activity) of relationships between two firms are shown to be more significant than the actor layer (Dubois & Gadde, 2018; La Rocca, Hoholm, & Mork, 2017). In this context;

1. Linked activities are the input into relationship development,
2. The higher the degree of linked activities in the dyad, the stronger the relationship.

Once the layer of focus was reduced to activity links, which is much easier to identify and control than the layer of resources, the study's emphasis turned to determining *whether or not a methodology could be structured and an indexing measure could be defined, and implemented in identifying an industrial relationship between a buyer and a seller, and how strong the relationship could be, based on activities that matter to the relationship, that were unilaterally and/or bilaterally performed.* The measuring process was termed by this study as relationship index, which is a unique quantitative concept that helps intuitively evaluate the relationship strength using the activity dimension. It is worthy of a note that an iterative process is needed for the relationship index to work; the measuring must be taken between the current and the intended situations in order for it to provide comparative results. It delivers a visual map onto the activities which are already established/can be established between the parties, making the activity linking the focus of the marketer.

The ARA model was constructed as a basic template showing the interplay of three separate but associated dimensions in the analysis of relationships. Hakansson (2009) argues that further conceptual models should be developed in the explanations of the relationship phenomenon. To this end, a model named the 4Rmodel was proposed for resource analysis (Hakansson & Waluzewski, 2002). The iterative relationship index can be an instrument in the identification and the analysis of the activities that make dyadic relationships work. The case adeptly demonstrated the use of the relationship index iteration in a business setting and how it assisted the managers to formulate an offering that was considerably differentiated as a result of the activities identified as a consequence of the indexing. Moreover, even though this study concerns dyadic relationships, the case confirmed the network link; a relationship dyad effects the network of companies to which the dyad is related and are effected by them, which is in line with the current literature (Hakansson, Ford, Gadde, Snehota, & Waluszewski, 2009; Hakansson & Johanson, 1992).

8.2 Limitations

The study has two limitations common to in-depth case studies which, I believe, do not need an extensive discussion as they are well known – namely, the size of the sample and the fact that the study was conducted in only one business context. Both of these limitations have been argued to have bearing on the possibility to generalise the results. However, I have two other considerations concerning the limits of the study.

The empirical data presented here concerned a case for winning a large order, which involved the initiation of a business relationship. The supplier market did not show characteristics of differentiation, the product was simple and its substitutes were easily available. The first limitation

is to do with the use of the tools and the framework originally developed for this study. Although the case showed that the novelties worked properly, I reckon the importance of testing the 5-step framework and the tools within in more complicated environments. For instance, the tools and the framework could be validated with an existing relationship, in a more complex environments and across different industries. However, I specifically opted for a relatively simpler business setting for two reasons: first, I believed it was more imperative to develop a practical conceptual framework before any attempt to use it in more complicated situations. Second, validating the framework and its novelties in a more multifaceted ecosystems would require far more resources.

The second limitation involves the trade-off between the qualitative and quantitative approach to the phenomenon of interest: business relationships. In a study aimed at exploring the underlying factors of relationship initiation or development, the most intuitive way of proceeding would be a qualitative, open approach to data collection. However, I have also chosen to use a quantitative approach in the verification of the assumptions upon which this study is founded; it makes it less problematic to aggregate and compare data and diminishes the risk of interpretative bias. Indeed, the use of a qualitative approach may lead to over-emphasis on certain differences and ultimately to biased results in favour of our underlying assumptions. On the other hand, the quantitative approach also has limits. In particular, one has to consider the problem of flattening results due to primarily dealing with aggregated and averaged data. In the attempt to take the positive aspects of both methods, I used a quali-quantitative research approach. The case tested the proposed conceptual novelties in a business setting, and exposed that they were of use. Subsequently, to overcome the limitations of a case-based research, further data were collected through surveys to verify the underlying hypotheses of the novelties.

Despite such limitations, the results obtained by a case that took place in a rather simpler business setting and a survey that was conducted with a small sample of participant indicate that the methodological approach followed has been rather fruitful for the exploration of the phenomenon. The data from the case study effectively illustrate the validation of the phenomenon that I was set to explore in this research and can also serve as an indication that it is worth further pursuing the refinement of the conceptual five-step framework and the tools within, in a more solid and robust way.

8.3 Managerial implications

The inspiration for this study comes from the researcher's own ambition to find appropriate solutions to the real-life problems that emerge when suppliers attempt to establish new relationships but often fail. The propositions and the results presented in this thesis could fulfil

managers' requests for a toolbox or roadmap revealing generic directions as to the initiation and the development of relationships. As such, the findings have implications at both the managerial level and the practitioner level. The implications focused on in this section build on the idea that identifying the underlying factors of relationship development in determining the related relational strategies is critical to the way that firms should effectively economise on their resources when exchanging products and services vis-à-vis counterparts. The basic argument proposed in this thesis is that firms' ability to initiate and cultivate relationships for achieving their desired outcomes heavily depended on the importance of purchase and the degree of product differentiation. This thesis proposes one practical framework – *the five-step framework* – and two useful tools within – *the relationship capacity matrix* and *the relationship index*. Two central managerial implications can be drawn from the study.

8.3.1 Understanding why relationships do or do not develop

The principal motivation of the present study stems from a reality that a huge gap emerged between the theory and the practice. The extant literature on B2B marketing centred all its concepts around cultivating relationships between buyers and sellers, it was quite logical for relationships to develop and parties would be willing to let these relationships be nurtured. However, the actual experience led to different outcomes. The company that I managed dealt in construction sector, selling tiles to distributors and retailers. It was widely supported by scholars that commitment and trust were key components of a business relationship because they encouraged partners to make investments into the relationship; to resist taking advantage of alternatives that provide short-term benefits; and not to behave opportunistically with regard to the relationship (Morgan & Hunt, 1994). However, what I observed in my surroundings did not conform to this view. Buyers were behaving opportunistically, and sellers were not prepared to make specific investments into any customer account. This was totally contradictory with the prevailing theory. It was revealed in the earlier sections that coupled with the importance of purchase, the conditions of the supplier market were the underlying factor to the quality of potential and existing relationships. In other words, if the purchase is not so important and the products in the supply market are more or less similar, then the potential of strong relationship development is low. This view has very practical implications and is easily identifiable in real business settings. Managers can comfortably asses the differences of their competitors' offers and ascertain whether or not the pertinent relationships can develop.

This study also argued that marketers should endeavour to establish links of activities with sellers, because sellers can enable customers to improve their performance by relieving them of an activity that the sellers undertake on their behalf (Blois & Ramirez, 2006). To this end, the relationship index, a table of activity links, is a useful tool for listing activities that can be linked with buyers. Its iterative

and quantifiable process enable practitioners to compare between and prioritise these activities to differentiate offering by adding the activities to it. As a consequence, the strength of the relationship is improved in comparison to, potential or existing, other relationships in the supply market. The addition of activity links to the offering also results in managers being able to estimate the growth potentials of their relationships and to optimise resource allocation of their sales force.

8.3.2 Determining initiation/development strategy even for low-key relationships

It was reviewed that not only did the current marketing portfolio approaches provide typologies for existing relationships, they also usually focused on strategic relationships between large corporations. The RCM provides managers with an opportunity for establishing relational development strategy with existing and potential buyers, even in markets where routine exchanges occur. In its four-grid matrix, it practically categorises relationships from weak to strong, but it does not place the supplier into the centre of analysis, it uses the buyer as the focal firm in order to account for competitors' offering and provide comparisons between the supplier's offering and those of rivals. Each category in the portfolio has its own relationship strategy implications, i.e. its own logic on how to manage the relationship with customers in each category in order to improve business results. This leads to immediate improvements in relationship management effectiveness by considering three aspects: relationship character, activity link focus and internal focus.

The BCG Matrix – a portfolio planning model – has been one of the most popular tools in developing corporate strategy. Although criticised for its simplification of analysis by academics since its inception of use, it has been predominantly perceived as a helpful, innovative and easy-to-handle tool for the management of large, diversified corporations by practitioners and academics alike (Untiedt, Nippa, & Pidun, 2012), and it has always been a go-to instrument for strategic planning. Similar to the BCG Matrix, the RCM provides managers with a tool for taking a snapshot of relationship status with existing and potential buyers vis-à-vis competitors. It offers a classification of relationships in four quadrants, each of which indicates a different management approach, but the dynamic nature of the matrix allows for analysis over time or at critical events. Its variables are easy to identify; although they are based on a subjective evaluation of the situation, its comparative nature in the analysis against rival offerings delivers correct placements of offerings in the matrix, thus it restrains managers from arriving at wrong results due to its subjectivity.

With the unique and useful tools presented in this thesis, the 5 step-framework constitutes a roadmap for marketing managers in the initiation new and/or improving existing relationships. Using the case of a medium-sized manufacturer in the construction sector, the framework was shown to be effective in securing a large order from a buying firm with which the manufacturer had

previously had no relationships. In fact, at the time of writing up this thesis, the selling firm obtained a new contract of supply for another five-star hotel in Doha. Of course, managers need to make their planning more specific as general ideas and plans may be hard to implement and monitor, but the suggested framework and its tools offer a chance for improving sales accruing as a result of relationships.

8.4 Final remarks

It was argued from the beginning that the main interest of this thesis was concerned with the strategies in the initiation and the development of business relationships while addressing the limitations and opportunities that exist within industrial networks. In business settings, companies cannot act alone, so the study was based upon dyadic business relationships. After reviewing the pertinent literature, several gaps were identified which motivated this researcher to investigate the underlying factors that support and constrain firms from developing coherent relationship strategies vis-à-vis others (i.e. strategies that improve the way resources are organised and economised on within business relationships). This concluding discussion is divided into two main sections. The first addresses the findings vs research questions. In the second section, implications for further research are discussed.

8.4.1 Research questions vs. findings

This thesis attempts to find answers to one fundamental question:

How sellers can build relational strategies in industrial markets for initiating new business relationships with customers, and enhancing existing ones in order to stay ahead of competition.

The research question emerged as a result of a very practical process: the motivation originated when the researcher found inconsistencies between the B2B theory and the reality in the business world, as discussed in earlier sections. The main question was very broad, therefore it needed to be divided into three manageable sub-questions. The comments on the sub-questions are made below.

8.4.1.1 Sub-question 1

What are the situational and environmental underlying factors that regulate the development of an industrial relationship and what are these factors?

It was shown both with the case study and the surveys that purchase importance and variation of offerings in supply market are the two variables that regulate the development of relationships. This

notion was derived from perceived risk, which was defined in the industrial buying behaviour literature. Using the two variables, the researcher analysed the case environment and created appropriate strategies in the initiation of a dyadic relationship between the two companies that had not interacted with each other prior. The first variable, importance of purchase, is related to the buyer's conditions whilst the second identifies the degree of differentiation of suppliers' current offers available to the buyer. These two environmental factors led to the formation of the relationship capacity matrix and the operationalisation of the five-step framework, as a result of which the researcher was able to analyse the buying situation more accurately and acquired a probably one-time large order at a higher unit price than those of competitors. Certain manipulation tactics, explained in section 4.5, were used to this end.

Although the variables were first drawn from the literature and used in the conceptualisation of a relationship classification matrix, a further validation was conducted in the format of a surveys/interviews with eleven highly experienced industry professionals. The main purpose of the further validation was to verify if the two dimensions proposed by this study as the prerequisites of relationship developments in fact regulated formations and enhancements of relationships. The survey findings revealed a perfect corroboration with the main purpose as the relevant survey statements received the highest weighting from the respondents as the reasons for developing business relationships.

8.4.1.2 Sub-question 2

To what degree can business relationships progress?

This research question concerned the strength potentiality of the given relationship. The thesis proposed several novelties, one of which was the identification of the relationship capacity, which was defined as the maximum possible business relationship strength that could be attained between sellers and buyers. With this definition, two other definitions also became required: relationship strength and growth potential. The strength of a relationship was the actual and the current intensity of the relationship whereas growth potential was described as the gap between relationship capacity and relationship strength and referred to the degree of possible improvement for the given relationship. The main purpose of the second sub-question was to establish a generic method in understanding the capacity that could be achieved but in doing so, firstly the relationship strength needed to be determined. For this, the analysis turned to the RCM, and using the aforementioned variables, the current (for existing relationships) and possible (for new relationships) strength could be revealed vis-à-vis rival products. The comparative analysis resulted in correct positioning of the products. The capacity, on the other hand, could be achieved with activity linking: the literature

review exposed that a way to apply the elements of the ARA model into practice would be by focusing on the activity layer; based upon the notion that "sellers can relieve [buyers] of an activity that the suppliers undertake on their behalf" (Blois & Ramirez, 2006), the fulfilment of the growth potential was shown to depend on the degree of activity linking between the parties, set up by the seller. Thus, the relational capacity could be achieved once the activity links were arranged or proposed in its offering by the seller. Another useful tool, the relationship index, was conceptualised by the present thesis in ascertaining the necessary activities in realising the potential. A table of activities in essence, the relationship index was centrally used in the case and its usefulness was verified in two iterations.

8.4.1.3 Sub-question 3

How can the marketer create B2B selling tactics to establish new relationships and improve existing ones?

The research question comprised two alternative paths; it sought strategies or tactics for either initiating new relationships or strengthening existing ones. The literature review revealed that academics and managers turned to portfolio models in determining relational strategies for a firm's collection of relationships. However, it was also shown that the extant portfolio models only focused on key existing relationships and offered strategies for managing such relationships. This study proposed a five-step methodology to initiate new interactions or improve existing relationships. The methodology included the novel conceptions of the RCM and the relationship index, and offered a *how-to guide*:

Step 1) Using the dimensions of importance of purchase and variation of available products in supply market, the typical relationship strength matrix is created and general relationship characteristics of the relationships in analysis are described.

Step 2) The list of activities is identified and the relationship index is calculated. Taking into account the targeted activities, the relationship index is recalculated to see to what degree the activity linking can be increased.

Step 3) Based upon the results of the Step-2, the relationship capacity and the growth potential is determined.

Step 4) The growth potential of a particular relationship is fulfilled with the inclusion of the possible activities that can be undertaken on behalf of the customer. Consequently, relationship development strategies are created.

Step 5) The seller's offering is reformulated in the light of the results stemming from the analysis and recommendations of the previous steps.

The five-step framework with its tools was tested and validated in the case, which involved a dyadic relationship. In the analysis, the possible relationship strength fell into one of the quadrants of the RCM, and the appropriate strategies were drawn from it in securing the order from a Qatari fit-out firm. The tactics proposed by the relationship capacity matrix were by and large found to be quite consistent with the findings that resulted from the case. The activity dimension of the relationship was incorporated into the relationship index, a table of activities that could be connected to the buyer by the seller. Overall, in answer to the final sub-question, the five-step framework with all its tools and instruments proves a useful methodology for managers in assessing the current status, in initiating or developing inter-firm relationships, and provides guidance in the management of such relationships.

8.4.2 Suggestions for future research

Future research should address some limitations of this study, aiming to refine both the conceptual framework and the tools for assessing and measuring the relational strength and the growth potential. This process is likely to involve testing and validating the tools, the relationship capacity matrix and the relationship index in more complex environments in a variance of industries. Interested scholars may explore the tools through qualitative research (e.g., open or semi-structured interviews) as well as subsequent testing of the emergent propositions, which is likely to require a more quantitative empirical research. Several suggestions for future research can be made:

1) The RCM should be tested in different industries including very complex environments in order to support the validation gained from the findings of the case. As this thesis was based upon a single case study, it is quite understandable that the case tested only one quadrant of the RCM. The propositions of the other three quadrants offering marketing strategies should be verified. In doing so, exploratory studies can be undertaken to see if the RCM can be enlarged from four quadrants to six or nine grids to obtain more specific strategic directions and selling tactics. it would be interesting to see how the RCM works in more complex relationships; to tackle the issues relating to the complexity and the magnitude, the RCM may be applied departmentally.
2) The aim of creating the relationship index was to ascertain and list the activities that the seller can undertake on the buyer's behalf. Literature review suggested that resources were required to perform activities. Similar to the listing of activities, the relationship index can be expanded to incorporate pertinent resources in performing the activities. For this, a

resource mapping can be developed to integrate to the table of relationship. This view can be taken in more detailed studies of the relationship index.

3) The five-step framework and its tool were tested in a relationship that was yet to be initialised. However, the extant literature subscribing to the IMP view focuses on key and complex relationships. In such environments, the framework might function differently or require a different approach or step in offering guidance for relational strategies. Even the RCM might need certain amendments in its conceptualisation of its generic strategies or classifications. Such an effort might require considerable resources and may take prolonged times to complete.

The recent trend of digitalisation is observed by scholars and practitioners as a source of future competitiveness due to its potential for new value-creation and revenue-generation opportunities (Kamalaldin, Linde, Sjödin, & Parida, 2020). Especially, digital technologies such as the internet of things, data analytics, and artificial intelligence are anticipated to help manufacturing companies undergo the servitisation, which is defined as the provision of digital services embedded in a physical product (Vendrell-Herrero & Wilson, 2017), from being a product provider to a solutions provider (Kohtamaki, Parida, Oghazi, Gebauer, & Baines, 2019). In a world marked by greater connectivity and interactivity, digital interactions have emerged as a dominant method for buyer-seller transactions (Steinhoff, Arli, Weaven, & Kozlenkova, 2019). In that respect, it would be interesting to see what changes occur to the operationalisation of the models, the tools and the methodologies discussed and proposed by this study in the face of digitalisation.

8.4.3 Final remark

The point of departure for this thesis was to contribute to the understanding the factors with which relationships were initiated or developed, thereby classifying relationships accordingly, and to the applicability of the ARA model rooted in the B2B marketing literature. The thesis presented original and practical thinking and produced novel concepts such as the relationship capacity and amended definitions such the offering. Using these concepts and definitions, it proposed two innovative tools; namely the relationship capacity matrix and the relationship index, with which it formed a step-by-step methodology. Through the five-step framework, practitioners can analyse the current status of relationships vis-à-vis the competition, and reformulate their offering with activity linking, a layer posited by the ARA model in explaining inter-firm relationships. The main idea is that by strengthening the relationship, or by fulfilling the relationship capacity as defined by this study, the seller can ensure repeated orders from the buyer, and locks the competition out. All the concepts, definitions and the framework were tested in a single in-depth case study for validation purposes. The thesis' proposition to underlying factors for relationship development were additionally verified

through empirical data. Overall, it is my belief that the concepts and the tools presented by this work have both positive theoretical and practical implications and they contribute to the prevailing literature by narrowing the gaps reviewed in the earlier sections.

9. Appendix

9.1 Processing of marble

Blocks (cubes of the stone) arrive from the quarries where they are extracted. Depending on the type of the stone, blocks may completely be wrapped with a mesh using a special polyester or epoxy-based adhesive and in order to strengthen small cracks which may lead to a total collapse of the block during cutting process if not reinforced in this way. Blocks are, then, cut in a machine called Gangsaw into raw slabs of usually 2cm or 3cm thick. During the cutting process, the sawing is made possible by industrial diamond blades, which need water as coolant. In fact, a normal gangsaw consume about 800 litres of water per minute. Therefore, sawn slabs are extremely wet subsequent to the cutting process. Cracks and fissures in sawn marble slabs are quite a characteristic phenomenon, and to achieve a smoothly polished surface, slabs need to undergo an application of a chemical called epoxy so as to reinforce the cracks present within these slabs and to fill in the fissures. To apply the epoxy, marble slabs must be completely free of moisture. This means that slabs are first dried out in special ovens so that the epoxy can be applied. Following that, the chemical compound needs time and a certain temperature for curing, epoxy-applied-slabs then go into the ovens again for polymerisation process to take place. Once the epoxy is cured, slabs are strong enough to be processed in polishing lines. Polished slabs are, then, packed into wooden frames called bundles or they are cut into desired sizes at a machine called bridge saw. Once sawn, the cut materials are packed into wooden crates and they are ready to be dispatched from the factory for orders. The production process is outlined in Figure 9.1.

No	Operation	Transport	Inspect	Delay	Store	Description
01						Blocks in block yard
02						Blocks are strengthened by wrapping them with a special mesh using polyester based adhesive
03						Blocks are left for the adhesive and mesh to cure and harden
04						Blocks are cut at gangsaw into raw slabs
05						Raw slabs are applied with liquid epoxy at oven and are cured at certain temperature
06						After ovening process, epoxy applied slabs are left for more curing
07						Slabs are polished at polishing line
08						*EITHER* Slabs are packed into wooden bundles
09						Bundles of slabs are in stock and ready for shipment
10						*OR (continued from process #07)* Slabs are cut at bridge saw into desired size
11						Cut materials are packed into wooden crates
12						Crates of cut materials are in stock and ready for shipment

Figure 9.1: Flowchart of marble production process

9.2 Survey

Your name and the company you work for.

Your position at the company, and how long you have been in this position.

Number of employees of your company.

Approximate turnover in 2018.

Based upon your experience

Existing relationships:

Can you name at least two strong relationships between your company and a supplier/a customer of yours?

What are the products/services bought/sold?

What are the financial values?

Why do you think that specific relationship is strong? Please list the reasons in the order of significance.

You are a seller of an important component and are trying to initiate a contact with a potential key account. You know that the buyer is already purchasing the component from the supply market. What would you do to initiate contact and close the deal with the buyer?

You are buying a critical product from the supply market, and a seller is trying to approach you and the seller knows what you are already buying it and the company you buy it from. What would you expect from the seller to start working with your company?

In your view:

How would you describe a strong relationship? Please give weight to the statements below from 1 to 10 (1 lowest, 10).

For a relationship to be strong:

Statements	**Score**
There has to be an element of trust established between the parties.	
Parties need to be committed to each other.	
They have to cooperate in developing products & services.	
There have to be established activities they jointly perform.	
Parties should have invested in the relationships by way of resources.	
Parties need to be getting along very well.	
Parties should refrain from behaving opportunistically towards each other	

Please write if you wish add something else:

How does having a strong relationship affect the buyer and the seller organisationally?

Finally, to develop a strong relationship, what do you think are needed? In other words, what are the underlying factors of initiating/developing relationships? Please give weight to the statements below from 1 to 10 (1 lowest, 10). While doing so, please pay attention to the statements and make sure that the statements you choose are the ***reasons*** for developing business relationships, not the ***outcomes***, and try to answer the question "would I initiate/develop/keep a longs-standing relationship because….".

Buyer statements	Score
The product I buy is very important for me, so I need to continually work with someone that is capable of delivering what I want.	
The product we have been buying is very complicated and I cannot get it easily from anyone.	
I have never bought this product before, so I need help from a supplier.	
I need to develop a new product with the help of my supplier.	
I want to work with my supplier because we like the guys at that company.	

I trust my supplier.	
My supplier is committed to our company, and we are to them.	
We are a very big company.	
We have a very good reputation in the market.	
My supplier has good credibility in the market.	
We have lots in common with this supplier.	
We buy a lot from this supplier.	
We pay good price for the product we purchase.	
Our account value is very high to our supplier.	
Everybody wants to work with us.	
We are very difficult company to work with. We require a lot of services from our suppliers in addition to a quality product and great price.	
Once we start buying this product, we cannot change it because they are all different.	

Please write if you think there might be other statements you wish to add, which gives a reason for initiating/developing relationships:

Case studies

You work as a buyer for a car maker. You are responsible for the acquisition of certain components including a large and user-friendly touch screen that will be placed on a new model's dash board, and that has never been used in your cars before. The marketing department requested a design of a very large touch screen because your company wishes to target young people. The design department came with the idea that all the multimedia (radio, MP3 player etc) and the settings of the car could be programmed into the screen. Your basic search on the available options brought about 4 feasible brands: T, C, J and S. Your decision making is based upon the following:

Criteria	T	C	J	S
Origin	Taiwan	China	Japan	Sweden
Cost to your company	200 USD/piece	205 USD/piece	280 USD/piece	320 USD/piece
Car's estimated price	£17,900 incl VAT	£17,909 incl VAT	£18,044 incl VAT	£18,116 incl VAT
Difference in sales price	0 GBP/car	9 GBP/car	144 GBP/car	216 GBP/car
Program language	Programmable language is a common one and it could be programmed in-house without assistance from manufacturer. The disadvantage of a common language is that it is limited with what it can do.	They have their own language and it is licenced for a fee per user. Manufacturer offers training or can program it for the buyer without a fee. The advantage with own language is flexibility of what the program can do.	They have their own language and it is licenced for a fee per user. Manufacturer offers training or can program it for the buyer for a small fee. The advantage with own language is flexibility of what the program can do.	They have their own language and it is licenced for a fee per user. Manufacturer offers training or can program it for the buyer without a fee. The advantage with own language is flexibility of what the program can do.
Reputation	Only known in the industry. Not known by end users.	Only known in the industry. Not known by end users.	Well-known in the industry. Also known by end users.	Very well-known, they even allow using their brand name on the screen, which may help sales.
Customisation	Offers custom-made touch screen. X wishes to work with your company to design and even integrate new technologies into it.	Do not offer any customisation on the physical product.	Can offer customisation on the physical product but product development process is too long.	Do not offer any customisation on the physical product.
Quality	No major problems reported.	No major problems reported.	They are known exceptional functional quality.	Very elegantly designed, no major problems reported.
Guarantee	1 year	1 year	2 years	1 year

Taking the specification of the brands into account:

a. Which of the following propositions do you think are true? *Please amend/add/delete wherever appropriate*

T's package is	different from/similar to	C / J / S
T's package is	different from/similar to	C / J / S
T's package is	different from/similar to	C / J / S
C's package is	different from/similar to	T / J / S
C's package is	different from/similar to	T / J / S
C's package is	different from/similar to	T / J / S
J's package is	different from/similar to	T / C / S
J's package is	different from/similar to	T / C / S
J's package is	different from/similar to	T / C / S
S's package is	different from/similar to	T / C / J
S's package is	different from/similar to	T / C / J
S's package is	different from/similar to	T / C / J

b. Although the decision needs to be taken jointly, which package would you recommend to the decision-making unit and why?

I would choose T, because

- its price is lowest
- it offers customisation
- easy to program in-house
- *any other (please write)*

I would choose C, because

- its price is very low and closest to lowest
- it offers flexibility in programming
- its quality is reasonable
- *any other (please write)*

I would choose J, because

- its price is reasonable
- its quality is exceptional
- their guarantee period is extended

- *any other (please write)*

I would choose S, because

- end users know the brand very well
- it helps marketing and sales
- It is very elegantly designed
- *any other (please write)*

c. You were just about to close the deal with T but J came up with a new package. They said they could jointly develop a new touch screen, which would have nicer design features and new built-in technologies. They also stated they could send a team of designers and engineers to your factory plant to work on the new design so that the new and specially designed product could be ready on time. They even agreed to lend their name to be placed on the new touch screen. However, the price would not be known until the screen was fully developed. What would you do?
    i. I would advise against changing our decision and close the deal with T.
    ii. I did not like the deal with T anyway, I would definitely press to change over to J, especially now in the face of their improved offer.
    iii. I would have dealt with C, not the other three.
    iv. I would have dealt with S, not the other three.

d. How important do you think the touch screen is for the new model?
    i. Very important
    ii. Important
    iii. Normal
    iv. Not so much
    v. Not at all

Please state why you think that that way *(please write).*

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