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I am submitting herewith a dissertation written by Geoffrey Todd Stewart entitled "Relational Value Exchange: A Grounded Theory Study of Buyers' and Sellers' Approaches to Building, Maintaining, and/or Dissolving Interorganizational Relationships." I have examined the final paper copy of this dissertation for form and content and recommend that it be accepted in partial fulfillment of the requirements for the degree of Doctor of Philosophy, with a major in Business Administration.

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RELATIONAL VALUE EXCHANGE: A GROUNDED THEORY STUDY OF BUYERS' AND SELLERS' APPROACHES TO BUILDING, MAINTAINING, AND/OR DISSOLVING INTERORGANIZATIONAL RELATIONSHIPS

A Dissertation
Presented for the
Doctor of Philosophy
Degree
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Geoffrey Todd Stewart
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DEDICATION

This dissertation is dedicated to my wife, Anjanette, and my son, Chapin.

Anjanette, I cannot thank you enough for believing in me. You were there in the toughest times and really helped me through this process. I am forever grateful for your patience, love, and commitment. Let's grow old together…

Chapin, I never knew how happy I would be to be called Dad. You are a true blessing and really inspired me to finish this dissertation. I think it is time to sing and swing high up in the trees.

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ABSTRACT

The purpose of this dissertation was to investigate why buying and selling organizations build, maintain, and/or dissolve interorganizational relationships. To address the buyers' and the sellers' perspective, the author analyzed a previously collected data set from the buyers' perspective, and collected and analyzed primary data from the sellers' perspective. Grounded theory methodology was implemented as a means for building theory which captures the variation within the buyer-seller relationships.

The findings indicate that variation within business relationships can be explained by the approaches buyers (Study 1) and sellers (Study 2) take when interacting with partners. In particular, buyers' utilized an *approach to supplier relationships* process which focuses on the overt action firms engage in when interacting with supplier organizations. This process includes the following four components (categories): (1) leveraging relational values, (2) setting relationship expectations, (3) establishing relational routines, and (4) evaluating relationship value. Each of these categories included relevant properties and dimensions. The approach process evolves over time and is influenced by the recognition of relational catalysts. Catalysts are events or situations that bring relationships to the attention of a buyer and instigate the approach process.

In the second study, the seller used a process called managing the customer base when interacting with buyers. Managing the customer base is a process that establishes business structure which enables a seller to fulfill customer needs in ways that make the

customer's more successful in delivering value to consumers. This process includes the following five components (categories): (1) understanding the use situation, (2) focusing on customers' success, (3) creating a 1-to-1 value proposition, (4) delivering value through 1-to-1 relationships, and (5) experiencing consequences of 1-to-1 relationships. Each of these categories included relevant properties and dimensions.

This research extends the buyer-seller relationship development theory by capturing variation within the relationship phenomena. While the marketing literature has conceptualized relationship development in a linear manner, this research provides evidence of a process that is influenced by contextual situations and interaction between participating firms. This research can be extended through large-scale verification of the findings. The dissertation concludes with a discussion of managerial implications and future research.

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CHAPTER ONE

PROBLEM DEFINITION

Introduction

Today's dynamic business environment is changing the rules of competition. As the demands of consumers continue to rise, firms are beginning to view other firms within a supply chain not only as suppliers or customers, but also as sources of competitive advantage. In terms of competition, firms recognize they are competing against individual firms and against their competitors' supply chain (Nix 2001). This represents one key reason for the increased importance of interfirm relationships. Firms are learning that relationships with the other members of the supply chain influence their value propositions and their delivery of customer value. Several environmental factors account for this growth in relationships, including the increasing demands of consumers, the globalization of economic markets, the growing demands of shareholders, the growth of supply chain management, and the emergence of customer relationship management (Barnes 2000; Coyle et al. 1996; Mentzer et al. 2001).

Buyer-seller relationships are the vehicles used by two or more parties to develop future consequences through the maintenance of relational exchange (Bendapudi and Berry 1997; Dwyer et al. 1987a). Some of the consequences resulting from buyer-seller relationships include risk reduction, economies of scale, improved competitive positioning, and access to materials, technology, labor, capital, and other partner capabilities (Contractor and Lorange 1988). The attainment of future consequences hinges upon the relational exchange between the members of the supply chain.

Relational exchange is ongoing, repeated exchange of value driven by past, current, and future performance (Macneil 1980).

While environmental factors and relationship consequences have fostered the growth of relationships, they should not overshadow the inherent risk involved in developing buyer-seller relationships. In particular, the process models of relationship development include the termination of relationships (Dwyer et al. 1987a; Wilson 1995), but few empirical studies directly address the friction that exists within buyer-seller relationships (Gassenheimer et al. 1998; Zajac and Olsen 1993). As described by Gassenheimer, Houston, and Davis (1998), identifying friction between partners helps provide insight into the types of relational shifts, modifications, and transformations that are necessary to avert the untimely and/or premature termination of many relationships. Some of the causes of relationship friction include changes in relationship objectives, complacency of partners within the relationship, changes in firms' moral attitudes toward business and society, and the emergence of extraneous barriers like government regulations (Gassenheimer et al. 1998; Gundlach and Murphy 1993; Levinger 1979; Williamson 1993).

Relationship Performance

Growth and friction within relationships present an interesting paradox that is only recently receiving the attention of marketing researchers. Traditionally, research on buyer-seller relationships has focused on variables that influence the success of a relationship (Anderson et al. 1987; Anderson and Weitz 1990; Anderson and Narus 1990; Morgan and Hunt 1994) and on the process of relationship development (Dwyer et al.

1987a; Heide 1994; Wilson 1995). While this research provides a solid foundation for understanding the nature of the core phenomena of relationships, it does not fully explain why some relationships succeed and others fail. For one thing, we know very little about what each party wants or expects from a relationship. The inclusion of performance expectations should help establish clear criteria for determining the success and/or failure of a relationship. Additionally, the expectations of performance should provide insight into the value firms seek to gain from a relationship, the activities/interaction that firms implement to produce the desired value, and ultimately, the relationship's performance. Thus, the overriding question this dissertation addresses is **"Why do firms engage in, maintain, or dissolve buyer-seller relationships?"**

Explaining variation in relationship success is critical to business initiatives like customer relationship management (CRM) and supply chain management (SCM). CRM is a recent trend within marketing that focuses on developing and maintaining personalized relationships with high-value customers and/or suppliers. Additionally, Mentzer et. al. (2001) explain that SCM seeks to strategically coordinate "the traditional business functions within a particular company and across businesses within the supply chain, for the purpose of improving long-term performance of the individual companies and the supply chain as a whole" (2001: 2-3). In both CRM and SCM, companies demand that the relationships with customers and/or suppliers deliver value to all participating firms. Therefore, the success of a relationship should depend upon the decisions and interaction of the participating firms.

Marketing researchers are beginning to address the variation in relationship success by focusing on the activities that are necessary to grow and maintain

relationships. For instance, recent studies by Gassenheimer, Houston, and Davis (1998) and by Cannon and Homburg (2001) examined the role value plays in determining the future intentions of relationship partners with respect to expanding or exiting relationships. While these studies provide insight into the growth, maintenance, and exiting of relationships, they also reaffirm the need for more research to address the variation in relationship success and failure.

The model in Figure 1-1 describes a simplified framework for organizing relationship research. The relationship and the subsequent interactions between participating firms represent the core phenomena. As shown, the value individual firms desire from the relationships should influence the interactions that exist amongst the firms. Finally, the relationship interactions should also influence both the buyer's and the seller's perceptions of relationship performance. The remainder of this chapter will discuss each component represented in Figure 1-1, as well as the research focus and organization of this dissertation.

The Value Exchange View of Relationships

The success of a relationship depends upon the interactions that exist between the participants in the relationships. To provide a foundation for the exploration of the performance of relationships, it is necessary to describe the central components of buyer-seller relationships. First, exchange theory is reviewed to provide a basis for understanding why relationships represent a viable medium of exchange for many businesses. Second, this section defines the concept of a buyer-seller relationship. Third, the drivers of buyer-seller relationships are examined to provide insight into the motives

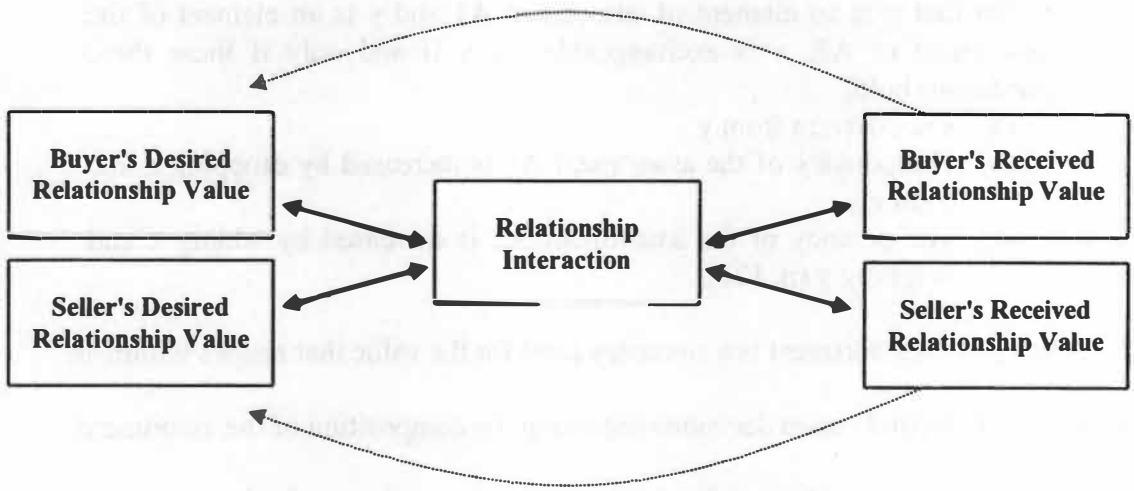

Figure 1-1: Conceptual Model of Relational Value Exchange

of relationship formation and dissolution. Finally, the concept of relationship value is presented to establish a basis for linking the motivations for developing relationships with relationship performance, and therefore linking relationship value to relationship success.

Social Exchange Theory

The extant literature recognizes that one of the fundamental purposes of marketing is to facilitate exchanges between buyers and sellers (Sheth et al. 1988). The development of social exchange theory emerged in the mid-1960s through the work of Wroe Alderson. Wroe Alderson (1965) proposed the Law of Exchange to explain the necessary elements of an exchange:

> Given that x is an element of assortment A1 and y is an element of the assortment of A2, x is exchangeable for y if and only if these three conditions hold:
>
> (a) x is different from y
> (b) The potency of the assortment A1 is increased by dropping x and adding y
> (c) The potency of the assortment A2 is increased by adding x and dropping y (p. 121).

The potency of an assortment is a summary term for the value that resides within an assortment. It depends upon decisions regarding the composition of the assortment. While an assortment may have value to its current owner, it may also have exchange value, in that another entity may value its composition. In this regard, the Law of Exchange begins to recognize and incorporate the perceptions of buyers and sellers into the exchange (Alderson 1965). Additionally, the potency of an assortment depends upon the buyer's or seller's evaluation of adding a given element to the overall assortment. The evaluation of a potential element helps determine if the potency of an assortment will increase or decrease. Thus, the viability of exchange is contingent upon a decision maker's evaluation of a market offering relative to other market alternatives.

Using the Law of Exchange as a foundation, Bagozzi (1974, 1975, 1978, 1979) focused exchange theory on understanding why an exchange takes place. He (1978) asserted that the exchange process should be viewed as a social activity rather than an isolated event. This activity is influenced by the participants in the exchange, the actions and interactions of the participants, and the situation within which the exchange takes place. While this perspective of exchange provides insight into the social activities and context of exchange, it still does not adequately explain why exchanges between buyers and sellers take place (Bagozzi 1974; Bagozzi 1975; Bagozzi 1978; Bagozzi 1979; Sheth

et al. 1988). Houston and Gassenheimer (1987) address this concern by depicting exchange as goal seeking behavior that occurs under certain conditions and that involves the exchange of value between buyers and sellers. They provide the following explanation as to why buyers and sellers engage in an exchange:

> The driving force behind exchange is need satisfaction. We express it as the realization of utility where a utility function is a description of what "commodities" are used to satisfy needs...(p.16)

Houston and Gassenheimer (1987) also discuss the relationships that may form between buyers and sellers because of exchange. They describe exchange relationships as being a richer concept than exchange as an isolated act and identify social distance as being an important element associated with the variation seen in exchange relationships. Social distance represents the level of reciprocity or social interaction where one party's behavior evokes a compensating behavior from the other exchange partners. Social distance varies along a continuum from minimum social distance (generalized/role-based reciprocity) to maximum social distance (negative reciprocity/deception). Intermediate social distance represents the midpoint of this continuum and describes balanced reciprocity or typical exchanges between buyers and sellers. The social distance concept is important to social exchange theory because it accounts for the fulfillment of participants' goals through positive exchange like gift-giving (minimum social distance) and also through negative exchange like bribery and deception (maximum social distance) (Houston and Gassenheimer 1987; Houston et al. 1992). A key element to remember is that social distance attempts to explain the variation in the types of exchange for achieving the participants' goals/needs and is not concerned with the perceived appropriateness or inappropriateness of the actual exchange.

Types of Exchange

The business literature depicts exchange as a continuum anchored by discrete exchange on one end and relational exchange on the other end. Discrete exchanges are transactions involving money on one side, an easily identifiable product or service on the other, and minimal interaction between the buyer and the seller (Dwyer et al. 1987a; Macneil 1980). Relational exchange, on the other hand, transpires over time and each exchange is analyzed by the participants with respect to its history and its anticipated future (Macneil 1980). Relational exchange is a broad concept that begins to occur when an exchange involves nontransactional issues such as performance by individual parties, prolonged dependence, cooperation, and expectations of trustworthiness (Dwyer et al. 1987a).

Bagozzi (1975) described three types of relational exchanges. Restricted exchange describes a two-party reciprocal relationship where the participants give to and receive from each other. Generalized exchanges involve at least three parties who develop a system in which they individually give to another party and receive from a party that is not the party to whom they gave. The final type of exchange, complex exchange, refers to systems where mutual relationships exist between at least three parties. Each party participates in at least one direct exchange with another party and is included in a system that is organized by interconnecting chains of relationships (Bagozzi 1975). The concept of complex exchange is very similar to the concept of supply chain relationships where firms are aligned to transform raw material into products or services

that are ultimately delivered to markets (Bovet and Sheffi 1998; Coyle et al. 1996; Ellram and Cooper 1990).

While exchange theory provides insight into the actual transfer of value, it does not adequately address why a firm may choose to exchange value through a particular type of exchange. For example, why would a firm choose to move beyond discrete exchange and therefore engage in relational exchange? As previously mentioned, the movement beyond discrete exchange indicates the social distance between buyers and sellers is narrowing and the viability of developing a relationship is becoming greater. To understand why this is occurring, it is necessary to view exchange not only as a means to fulfilling needs, but also as a means to fulfilling specific types of value through various exchange structures.

Within the marketing literature, there is currently a call for research on the creation of relationship value and its role in expending and renewing relationships over time (Anderson 1995; Wilson 1995). Anderson (1995) describes value creation and value sharing as "the raison d'être of collaborative customer-supplier relationships." As a discipline, our understanding of value creation within relationships diminishes as we move away from exchange episodes that focus on low aggregate transaction cost. Wilson (1995) and Anderson (1995) both point out that beyond the transactional level, little research has explored how value is added and assessed in monetary terms. Practitioners are also struggling with this problem. Anderson (1995) points out that practitioners "rely either on qualitative judgments of whether their firm is "better off" by engaging in the exchange episode or on a piecemeal assessment based on what can be readily pulled together or measured" (348). This assessment infers that as firms move away from

exchange episodes and into relational exchange, the definition and make-up of value may change from pure economic value to one of a combination various value types. Currently, very little research reveals the type(s) of value that successful relationships help develop and transfer between participating firms (Cannon and Homburg 2001; Gassenheimer et al. 1998). Before discussing specific types of value, it is necessary to discuss the relationship phenomenon.

Definition of Buyer-Seller Relationship

There are many different definitions of buyer-seller relationships. While the marketing literature describes relationships as buyer-seller relationships or channel relationships, the logistics literature describes the concept with terms such as logistics alliances, partnerships, and joint ventures (Cooper and Gardner 1993). The strategic management literature, as expected, focuses upon the strategic intent of these relationships and describes them as strategic alliances, cooperative ventures, and strategic partnerships (Lorange and Roos 1992; Nooteboom 1999). The terms represent different types of relationships, but they all describe a phenomenon that involves the exchange of value between buyers and sellers.

As noted by Czepeil (1990), relationships exist when "an individual exchange is viewed not so much an entity unto itself as it is a continuation of a past series of exchanges likely to continue into the future" (p. 15). This definition points out that a key element of a relationship is the emphasis placed on the historical context of the exchange and the future consequences that stem from the exchange (Bendapudi and Berry 1997; Dwyer et al. 1987a).

Additionally, Wilson (1995) refers to buyer/seller relationships as hybrid relationships. A hybrid relationship is a combination of the cultures from the buying and the selling firms and fills the space between the firms with a unique blend of the participating firms' cultures (Borys and Jemison 1989). Wilson (1995) also explains that relationships are comprised of variables that have both an active phase, where they are the center of the relationship development process, and a latent phase, where they are still important, but are not under active consideration in relationship interaction. These variables include the reputation of partners, performance satisfaction, trust, social bonds, comparison level of alternatives, mutual goals, power/dependence, shared technology, nonretrievable investments, adaptation, structural bonds, cooperation, and commitment. These variables foster the interaction between participating firms and assist in the development of the aforementioned future consequences. The inclusion of these thirteen variables helps to delimit relationships, because it shows that a relationship must at least involve the recognition of the perceptual and behavioral activities of the interaction between buyers and sellers.

As strategic alliances, Varadarajan and Cunningham (1995) describe relationships as "a manifestations of interorganizational cooperative strategies, entails the pooling of specific resources and skills by the cooperating organizations in order to achieve common goals, as well as goals specific to the individual partner" (p. 282). This definition indicates participants purposefully engage in and maintain an exchange with certain partners not for the sole benefit of one partner, but for the benefit of all participating firms.

The previous three definitions indicate buyer-seller relationships involve the purposeful exchange of value, a historical and future perspective of exchange, and both perceptual and behavioral activities that delineate the interaction between two or more parties. Thus, a buyer-seller relationship is:

> the purposeful maintenance and enhancement of relational exchange and the development of future value for the benefit of participating firms through recognized perceptual and behavioral activities.

This definition of buyer-seller relationships incorporates the three aforementioned definitions while framing the domain of the phenomenon. First, this definition explains that relationships involve parties that acknowledge the presence of and interact with the other exchange participants. Second, the purposeful interaction amongst partners helps delimit the domain of buyer-seller relationships by excluding those exchange situations where only one participant acknowledges the interaction.

Lastly, the recognition of the perceptual and behavioral activities and the maintenance of relational exchange signify that the participants acknowledge their participation in relational exchange with another firm, which distinguishing the notion of a relationship from the concepts of brand loyalty and repeat purchasing. While brand loyalty and repeat purchasing are primarily focused on the behavior of one firm (buyer), relationships are concerned with the perceptions and behavior of both buyers and sellers as they pertain to the maintenance of relational exchange and the development of future value for the benefit of all participating firms. This distinction is important because repeated exchange may occur outside of a relationship in situations where firms continuously purchase from the same supplier without ever acknowledging the impact each firm has on the relationship and the other firm.

Drivers of Relationship Development

As Kogut (1988) demonstrates, transaction cost theory, the theory of strategic behavior, and organizational theory help to explain why firms enter into relationships with exchange partners. These three theories provide support for Houston and Gassenheimer's (1987) assertion that exchange and relationships are ultimately the result of goal seeking behavior.

Transaction cost theory depicts firms and markets as governance structures that differ in their transaction costs. Firms incur transaction costs to engage in exchange, and these costs include the direct costs of managing relationships and the potential opportunity costs of developing inadequate governance structures (Rindfleisch and Heide Jan 1997; Williamson 1985). Under this theory, firms enter into a relationship to minimize costs that are associated with opportunism and small quantity negotiations (Kogut 1988; Macneil 1978). The drivers associated with transaction cost theory generally provide the quickest benefits to participating firms.

The first transaction cost driver is asset/cost efficiencies. Relationships provide firms with an opportunity to integrate functions and realize economies in areas such as transportation, packaging, or product manufacturing cost. The collaborative efforts of two or more companies also reduce the marketing costs associated with meeting customers' needs. Customer service improvements represent a second transaction cost driver. Relationships can lead to improved customer service by reducing customers' cycle times and relevant inventory levels.

Another transaction cost driver is risk reduction. Relationships are vehicles that allow companies to leverage risks, such as market uncertainty, technological uncertainty,

and large capital outlays, against future consequences (Bendapudi and Berry 1997; Dabholkar et al. 1994; Lambert et al. 1996; Varadarajan and Cunningham 1995). For instance, a long-term relationship between a retailer and a vendor allows the retailer to base its purchasing forecast upon the reserved production capacity of their vendor.

A final transaction cost driver deals with dependence. Some firms are in a position where they have little or no other alternatives than to do business with their current supplier(s). This dependence may be due to the absence of qualified suppliers or to switching costs that discourages the move to a new supplier (Bendapudi and Berry 1997; Dwyer et al. 1987a).

Transaction cost theory provides insight into relationship development from the perspective of either the buyer or the seller, but it does not adequately address the impact that the participants have on each other's firm. Additionally, transaction cost theory concentrates on the economic costs of a relationship and does not consider other types of value that may be associated with a relationship.

Strategic motivation theory focuses on the desire of firms to enhance their competitive position in the marketplace while improving their overall financial performance through the development of relationships. Under this theory, the outcomes of relationships should benefit all of the relationship's participants (Blancero and Ellram 1997). The long-term nature of some buyer-seller relationships is a result of these strategic drivers. Ganesan (1994) described strategically driven relationships as being focused on both short-term and long-term outcomes. Webster (1992) proposed that strategic alliances are vehicles that assist each partner in attaining some strategic, long-term goal. Second, many firms are moved to enter relationships because they want to

improve their current market position or enter a new market. For instance, relationships enable companies to overcome barriers that exist when entering foreign markets. In regards to market position, relationships help companies defend or enhance their positions through agreements with suppliers and customers.

A third strategic driver focuses on a firm's product offering(s). Within this context, buyer-seller relationships represent a means to adding value to a current or future product line. For instance, relationships can be developed to help differentiate a current offering or to help position the firm against the threat of substitute products. A final strategic driver is the modification of market structure. As previously mentioned, relationships can reduce the threat of substitutes, but they can also create barriers to entry and establish the basis of competition (Dwyer et al. 1987a; Lambert et al. 1996; Varadarajan and Cunningham 1995).

Lastly, organizational theory describes a company's attempts to merge its organizational structure with the structure of their partners, so that knowledge can be transferred between parties (Kogut 1988). These drivers center on the alignment of organizational structures so that a mutual transfer of knowledge, between parties, can be developed. Relationships enable participants to learn from their partners. The sharing of information and skills can assist the relationship by helping each partner understand and develop their processes around not only achieving internal efficiency, but also around the goals and objectives of the relationship and/or the supply chain (Frankel et al. 1994; Lambert et al. 1996; Varadarajan and Cunningham 1995).

Based upon transaction cost theory, strategic behavior theory, and organizational theory, the goals firms seeks to achieve through the development of relationships may

range from transaction oriented goals to strategically oriented goals. However, the three theories, independently, do not provide adequate insight into the success of relationships. The integration of these three theories may provide more insight into the success of relationships because it would address transaction specific costs (economic value) and mutually dependent costs/benefits trade offs that may be associated with economic and social value. Additionally, the strategic goals of the relationship are particularly interesting because they recognize the impact a relationship can have on the operation of the relationship and the operations of the participating firms beyond the relationship boundaries. These broad-reaching initiatives may represent important desired end states firms seek to achieve. These desired ends states may be labeled "strategic value."

Drivers of Relationship Friction

The success and/or failure of relationships are inherently linked to the goals of the buyers and sellers within the relationship. While there is not much research on the dissolution of buyer-seller relationships, evidence suggests that the goals and subsequent implementation of the goals may lead to friction between the participating firms (Gassenheimer et al. 1998; Gundlach and Murphy 1993; Levinger 1979; Williamson 1993). In particular, the friction between exchange partners may stem from (1) changes in relationship objectives, (2) complacency of partners within the relationship, (3) changes in firms' moral attitudes toward business and society, (4) the emergence of extraneous barriers like government regulations, and (5) a refusal to adopt a relational exchange mindset (Gassenheimer et al. 1998; Gundlach and Murphy 1993; Levinger 1979; Williamson 1993). These causes indicate that the goals and objectives firms' seek

to achieve through the development and maintenance of relational exchange influence the firms' perceptions of relationship success and failure. Relationship friction slows down or impedes the development of buyer-seller relationships.

While the symptoms of relationship friction provide insight into potential problem areas, they do not explain why the objectives of the relationship changed or why a partner has become complacent. Within the extant literature, there is a need to link the behavior of participating firms to the goals and needs they seek to fulfill from a relationship. As a relationship develops, these goals and needs may change and lead to friction because perceptions and/or behaviors that were once appropriate may now appear to be inappropriate.

The drivers of relationship development and dissolution originate from the goals of each participating firm. This conclusion supports the notions of social exchange theory and provides insight into why the social distance between firms narrows as exchange evolves beyond discrete transactions on the continuum of exchange. For example, the pursuit of strategic goals should require closer social distance between firms than tactical goals. To further address the influence of goals on the activities and performance of the relationship, it is necessary to explore value derived from achieving the goals firms set regarding relational exchange.

The Role of Value in Relationships

Within buyer-seller relationship and marketing channels research, the term "value" is used in many different ways. Customer value research provides a basis for establishing clear definitions of value and relationship value. These concepts will

provide a framework for linking relationship success and/or failure to activities and interactions that are driven by the goals of the participating firms.

What Is Value?

Current research on value in buyer-seller relationships and marketing channels appears to suffer from problems similar to those of customer value research during the 1990s. Value within business markets is often perceived as the monetary price or net worth of the costs and benefits that are associated with a particular exchange. For instance, Anderson and Narus (1991) refer to value as "the perceived worth in monetary terms of the economic, technical, service, and social benefits received by a customer firm in exchange for the price paid for a product offering" (p. 98). This definition is similar to early definitions of customer value that only recognize the value that firms *receive* (past performance) from an exchange. These definitions do not recognize the value firms *desire* from future exchange with the same partner.

Woodruff (1997) explains that customer value is a much broader concept than previously described in the literature. He (1997) defined customer value as:

> ...a customer's perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations (p. 142).

Similar to previous definitions, Woodruff (1997) also incorporates the cost/benefit tradeoff (facilitate/block) that is common in evaluations of customer value. However, this definition also covers two unique areas that were not included in previous definitions. First, Woodruff (1997) makes a distinction between desired (preferences) and received

(evaluation) value. Second, a means-end framework helps to conceptualize value as the product attributes, consequences, and goals/values that exist in a particular situation.

Woodruff's (1997) definition of customer value can be extended to the net value within buyer-seller relationships. Adjusting this definition for a relationship context, consider the following definition of relationship value:

> Relationship value is a participating firm's perceived preference for and evaluation of those relationship attributes, attribute performances, and consequences arising from interaction with another organization that facilitate (or block) achieving the firm's goals and purposes in use situations.

Woodruff (1997; and Gardial 1996) refers to this value concept as a customer value hierarchy (CVH). CVH suggests that customers conceive of value as a linkage between product attributes, use consequences in specific situations, and values or goals (Gutman 1982; Gutman and Alden 1985; Vinson et al. 1977). Figure 1-2 adapts this model to include relationship value. At the bottom of the hierarchy, participants learn to think about relationships as consisting of specific attributes and attribute performances. Some of these relationship attributes may include idiosyncratic investments, responsiveness, dependability, and competence (Flint 1998). When managing relationships, managers develop desires or preferences for specific attributes based on their ability to facilitate achieving a desired consequence experience (Woodruff 1997). Consequences represent the middle of the value hierarchy. As described by Woodruff and Gardial (1996), consequences are the participants' "subjective considerations" of the experiences (both positive and negative) resulting from relationship use or what the relationship does for the participants (desired and/or undesired) (p. 65). Positive

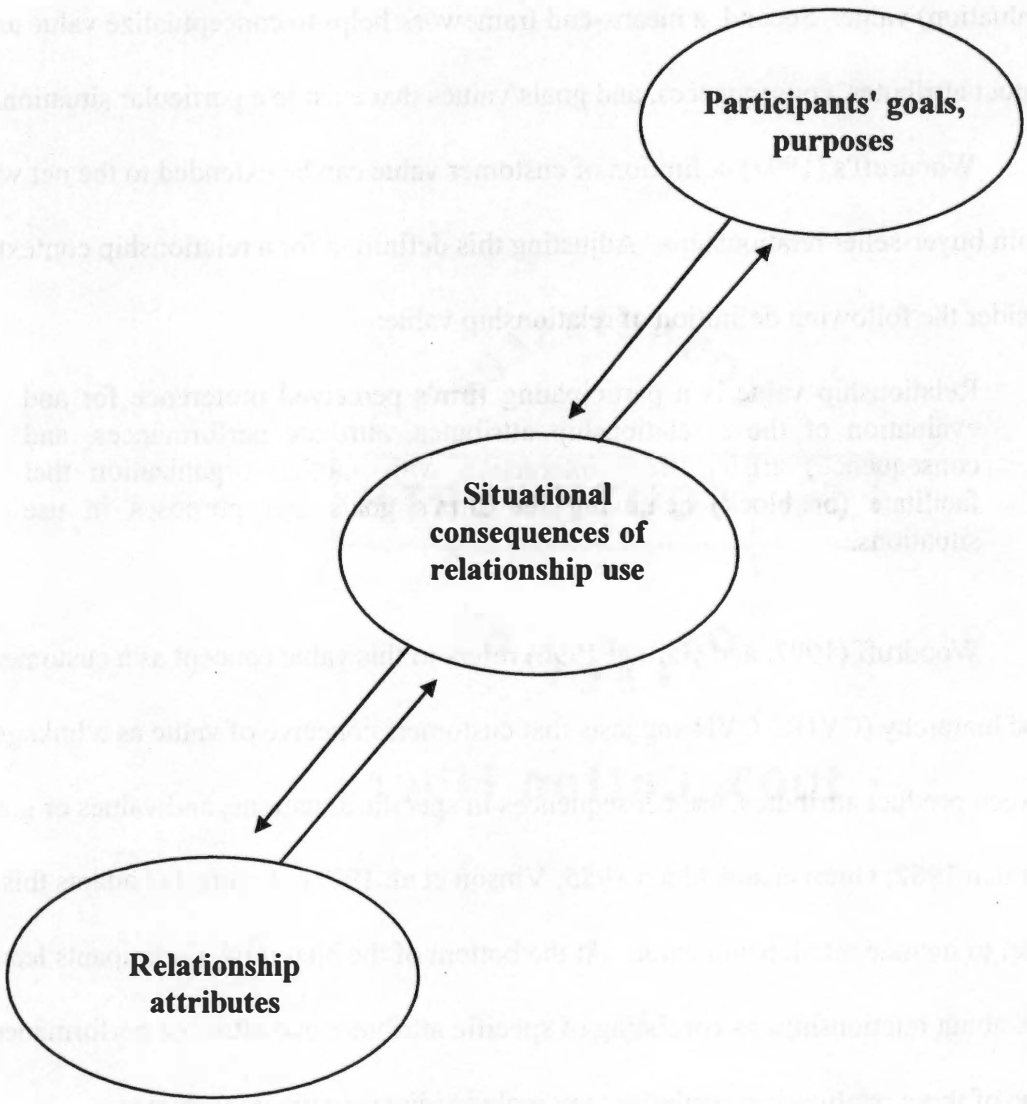

Figure 1-2: Relationship Value Hierarchy

(Adapted from Woodruff and Gardial, 1996)

consequences of a relationship may include cooperation, trust, commitment, ease of conducting business, enhanced knowledge of existing markets, entrance into new markets, time savings/expenditures, and synergy from the combination of organizational competencies. A relationship may also include negative consequences like the opportunity costs of not doing business with other suppliers and/or customers outside of the relationship, the risks associated with depending upon and investing in select suppliers and/or customers, and the emergence of switching costs that prohibit firms from dissolving existing relationships and beginning new relationships. Managers also learn to desire certain consequences according to their ability to help them accomplish certain goals and purposes.

The desired end states depicted in the CVH are the participant's core values, purposes, and goals. These end states are the fundamental motivators of the participating firms and may include issues like developing stable sources of supply/demand, creating value for all relevant stakeholders of the firms, and continually improving the product and service offer of the firms. In looking down the hierarchy from the top, managers use goals and purposes to attach importance to consequences. Likewise, important consequences will influence the level of importance managers assign to relationship attributes and attribute performance (Woodruff 1997).

To help clarify the multidimensional relationship value concept, it is necessary to define its' two unique dimensions, desired and received relationship value.

> Desired relationship value is a participating firm's perceived preference for those relationship attributes, attribute performances, and consequences arising from interaction with another organization that facilitate (or block) achieving the firm's goals and purposes in use situations (adapted from Woodruff 1997).

> Received relationship value is the firm's evaluation of those relationship attributes, attribute performances, and consequences arising from interaction with another organization that facilitate (or block) achieving the firm's goals and purposes in use situations (adapted from Woodruff 1997).

The concepts of desired and received relationship value create a link from the motivations for pursuing a particular relational exchange to the evaluation of the actual exchange's success or failure.

Desired relationship value refers to what a relationship partner wants to transpire during the relationship. As shown in Figure 1-1, desired relationship value accounts for the drivers of relationship development and serves as the antecedents of the relationship interaction. The influence of desired value on relationship interaction hinges upon the identification of a value typology that accurately assesses the various types of relationship value.

Within the marketing literature, several types of desired value help to explain the drivers of relationship development, maintenance, and dissolution. The channels literature discusses economic/functional value and social value (Cannon and Homburg 2001; Garver 1998; Gassenheimer et al. 1998). Based upon transaction cost theory, economic/functional value represents the perceived benefits and costs that participants associate with performing internal operations more efficiently and effectively (Garver et al. 1999; Gassenheimer et al. 1998). However, the literature does not make a clear distinction between functional and economic value, though the two terms appear to describe similar phenomena.

Additionally, there are social aspects of relationship development are not included in economic/functional value. Garver (1998) explains that social value is "the tradeoff of affective and psychological benefits and costs" associated with a buyer-seller relationship. Within the relationship, social value includes comfort (feelings of relaxation and being at ease), enjoyment (feeling of fun, interest, and pleasure), and being taken care of (feelings of being appreciated and being looked out for) (Garver et al. 1999). Social costs associated with relationships address similar feelings but typically describe negative, rather than positive consequences. For instance, the cost of opportunistic behavior within a relationship may create discomfort or feelings of being taken advantage of. Other value typologies that may provide insight include the five value categories of functional, social, emotional, epistemic, and conditional value by Sheth, Newman, and Gross (1998) and Holbrook's (1994) classification of value as being intrinsic or extrinsic to the product and value being self-oriented or other-oriented.

The distinction between the types of value in buyer-seller relationships provides a research opportunity addressed by this dissertation's research objectives. A key consideration in evaluating the existing value typologies is determining whether the typology adequately assesses the complete domain of relationship drivers. While economic and social value are present within relationship research, it is unclear whether they adequately account for the upper level of the value hierarchy (desired end states) that exists in relationships. The development of a robust value typology should also integrate the types of value with context variables that help to explain their variation. For instance, the typology may be presented as a two dimensional matrix that includes the value types on one axis and the relationship context or use situation on the other axis.

While desired value sets the stage and influences the relational exchange between organizations, it also establishes the comparison standard for assessing the success and/or failure of the relationship. As depicted in Figure 1-1, buyer's and seller's individually develop a perception of the relationship's performance. This perception is equivalent to received relationship value and serves as criteria for determining the success and/or failure of the relationship. As defined earlier, received relationship value is a comparison variable that evaluates the actual value experience against the firm's desired relationship value. Thus, participating firms may utilize the same types of value that were initially desired from the relationship to develop their judgment of received value.

In summary, value plays a critical role in the development, maintenance, and dissolution of relationships. The execution of relational exchange is contingent upon the value that firms seek to attain through the employment of a buyer-seller relationship. Since the interaction between the participating firms is based upon desired value, the firms will likely assess the relationship's performance based upon the value that they seek to fulfill.

Research Focus

Research Issues and Gaps

The previous call for the development of relationship performance measurements, suggest an important research opportunity. Existing research provides a solid foundation for understanding the nature of the core phenomena of relationships, but it does not fully explain why some relationships succeed and others fail. The variation in relationship performance represents an opportunity to explore why organizations utilize buyer-seller

relationships and what they want to have happen within these relationships. This research is important because it provides insight into the value that is desired from a specific relationship or from relationships in general. This new knowledge will be critical for learning why some relationships succeed and others fail. For instance, Gassenheimer, Houston, and Davis (1998) address the role of economic and social value in relationship decisions. While these findings provide insight into received relationship value, it does not adequately address the influence of desired relationship value on the performance of a relationship. The inclusion of desired value would provide a comparison standard for evaluating the relationship's effectiveness in delivering economic and social value.

Additionally, there have been few efforts within relationship research to assess value from the perspective of both the buyer and the seller. Recognizing that the various participants will perceive value differently, it is important to examine the various types of relationship value that are present across all of the roles (buyers and sellers) within relationships. Several studies describe social and economic received value at a definitional level, but they do not adequately explore the domain of each of these types of value (Cannon and Homburg 2001; Garver et al. 1999; Gassenheimer et al. 1998).

More broadly, the gaps in the relationship literature suggest several research questions including: Do buyers and sellers perceive relationship value differently? Are economic/functional and social value the only types of value involved in the development and maintenance of buyer-seller relationships? Are economic value and functional value the same category of value or are they different types of unique value? Are the types of

economic/functional and social value associated with relationship activities of strategic or operational importance?

Desired value may provide the foundation of a relationship's existence. Relationship success may come from achieving desired value, while failure stems from unfulfilled desired value. In this regard, desired value plays the role of comparison standards in assessments of relationship success. While the extant literature offers several studies that examine the performance of interfirm relationships, the author is not aware of any studies that assess the performance of a relationship along the dimensions of what a firm desires to receive from a particular relationship.

Research Objectives

The purpose of this dissertation is to develop a theory of why firms engage in and maintain buyer-seller relationships. To assist in the development of the theory, the author conducted a preliminary literature review to assess the status of the extant literature in the following theoretical areas: social exchange theory, value theory, and buyer-seller relationship development. The preliminary literature review uncovered several deficiencies in existing theory that can be addressed with theory development. Recognizing the current research opportunities, this research focuses on three research objectives. These objectives include:

Research Objective 1: To understand why buyers engage in, maintain, or dissolve buyer-seller relationships with their suppliers.

Research Objective 2: To understand how buyers and sellers perceive the value they desire from interfirm relationships.

Research Objective 3: To determine if and how desired value influences the nature of the interaction between the firms participating in a relationship.

Research Objective 4: To understand how and why a relationship evolves from one of discrete exchange into one of relational exchange.

As a means of expanding upon the existing theory of relational value exchange, the author will employ grounded theory methodology and will collect data through field interviews, relationship observation, and relationship document analysis.

Research Question

The overriding research question of this dissertation asked:

Why do firms engage in, maintain, or dissolve buyer-seller relationships?

This research question helped provide insight into relationship success and failure by focusing on three critical areas of relationship research: (1) desired relationship value, (2) relationship interaction, and (3) received relationship value. The first two areas will help establish a link from the value that is initially desired in a relationship to the activities that are implemented to fulfill this value. Additionally, this research question helped link the actual perceptual and behavioral activities to the participants' perceptions of how well the relationship actually delivers the initial desired value.

During the analysis of Study One, the researcher identified a need to shift the focus of the overall question to more closely reflect the themes which were emerging from the data. During the data analysis process, the researcher utilized grounded theory methodology to assist in identifying the core or central phenomenon. As the analysis

proceeded, the researcher recognized that the initial research question did not adequately capture the breadth of the phenomenon under investigation. Although the study initially examined "why" firms engage in, maintain, or dissolve relationships, the focus shifted toward understanding the approach or philosophy firms used in addressing relationship opportunities.

Based on the emerging themes, the overriding research question for Study One asked:

> **"How do buying-firms approach opportunities to develop, maintain, and/or dissolve buyer-seller relationships with their suppliers?"**

The evolution of this overriding research question did not eliminate the previous question. The previous question was still important to the study, and the researcher used it as an objective for addressing the new, overriding research question. The modification of the overall research question only applied to Study One and was a result of the emerging phenomena.

While Study One was guided by "How" and Study Two was focused on "Why," both studies remained true to the research objectives presented in the previous section. In the end, both studies addressed "How" and "Why" during the analysis processes. Each research objective raised several related research questions that were addressed in this dissertation.

> Research Objective 1: To understand why buyers engage in, maintain, or dissolve buyer-seller relationships with their suppliers.
>
> - Under what circumstances do managers engage in business relationships?

- What circumstances within an organization inform a manager's decision to engage in, maintain, or dissolve buyer-seller relationships with their suppliers?
- What circumstances in the external environment inform a manager's decision to engage in, maintain, or dissolve buyer-seller relationships with their suppliers?

Research Objective 2: To understand how buyers and sellers perceive the value they desire from interfirm relationships.

- How do managers describe a buyer-seller exchange?
- What do managers expect to receive from relationships?
    - Do managers know what they want the relationship to do for their firm?
    - What is the role of the "use situation?"
        - Do certain situations lend themselves to the development of business relationships?
- What are the types of value managers seek to receive from a buyer-seller relationship?
- Do managers in buying and selling organizations perceive value desired from relationships differently?

Research Objective 3: To determine if and how desired value influences the nature of the interaction between the firms participating in a relationship.

- Does the desired value of a relationship influence the type of interfirm activities/processes that are utilized in a relationship?
- Does desired value from a relationship add to understanding why some relationships dissolve?

Research Objective 4: To understand how and why a relationship evolves from one of discrete exchange into one of relational exchange.

- Why do some relationships develop from a transaction orientation to a strategic orientation while others do not?
- Does the level of relational consequences, like commitment, vary if buyers and sellers define relationship value differently?
- What are the activities that are necessary to realize the various types of desired value?
    - Do these various activities require participation from both firms?
    - Do certain types of value require more joint participation?

- Does the presence and/or absence of specific relationship activities lead to higher levels of perceived effectiveness?

In summary, achieving the research objectives should provide a holistic understanding of why (and how) firms engage buyers or sellers (depending on perspective) through the use of business relationships. The first objective seeks to understand events or circumstances that would motivate a buyer to engage in, maintain, and/or dissolve a relationship with their supplier. The second objective seeks to provide insight into the relational value construct. In order to develop metrics of relationship value creation, it is necessary to develop a clear understanding and conceptualization of the desired relationship value construct. The third research objective focuses on the relationship between desired value and relationship interaction. This objective should provide insight into why firms manage relationships in a certain manner. The final research objective addresses the actual activities and processes involved in relationship development and maintenance. This objective is very important, because it should provide insight into the capability of relationships to deliver value to the participating firms.

Organization of the Dissertation

The remainder of this dissertation consists of five chapters. Chapter Two includes a preliminary literature review of the pertinent theoretical areas. This literature review will describe the parameters of existing theory in the area of relational value exchange and will help identify theoretical areas that are currently unexplored or underdeveloped.

Chapter Three focuses on the implementation of grounded theory methodology and specifically addresses the research design, data collection, and data analysis techniques. The research findings in regards to relational value exchange and an expanded literature review on key theoretical areas will be presented in Chapters Four and Five. Chapter Four presents the findings from the buyer's perspective and Chapter Five discusses the findings from the seller's perspective. The dissertation concludes in Chapter Six with a discussion of research contributions, managerial implications, research limitations, and recommendations for future research.

CHAPTER TWO

LITERATURE REVIEW

Introduction

Chapter Two reviews selected literature related to the relational value exchange phenomenon. It is important to note that this chapter only presents a preliminary review of the literature. In keeping with the mission of grounded theory methodology, this review provides the antecedent justification for the conceptual model in Figure 1-1 and for the research questions presented in Chapter One. The researcher has performed an expanded review of the literature during the data analysis process and will integrate these findings into Chapters Four and Five.

Chapter Two consists of two major sections. The first section of the chapter is a review of the literature on customer value. In particular, this section focuses on typologies of value from consumer behavior and channels research. The second section examines the literature on buyer-seller relationships. This section examines the interaction between buying and selling firms by focusing on the process of buyer-seller relationship development and the variables involved in each development stage.

Customer Value

General Theories of Value

A variety of concepts that incorporate the notion of value have appeared in the literature for a very long time. Additionally, value has been researched in many different disciplines. The following sections explore the concept of value in the disciplines of

philosophy, economics, and marketing. A summary of research in each of these disciplines is provided in Tables 2-1, 2-2, and 2-3.

Value in Philosophy

The concept of value dates back to the early philosophers. Some of the philosophers developed a subjectivist view and described value as being an individual's attitude or feeling toward an object. This attitude was described as existing separate from the actual object. Other philosophers like Plato and Aristotle possessed an objectivist view of value. The objectivist view described value as an imbedded property of the object that individual's could only "apperceive" through intuition. Philosophy also contains a relationalist view of value. Philosophers, such as Dewey, professed that value

Table 2-1: Value in Philosophy - Major Theories

Theory	Value Conception	Principal Proponents
1. Subjectivisim	Value is an individual's feeling or attitude and has no independent existence apart from the subject. Value judgements are only relative to the individual.	Protagoras, Hume, Meinong (early), von Ehrenfels, Perry, Parker, Santayana, Sartre, etc.
a. Hedonism	Pleasure is the eventual source of value. "X" has value denotes that "X" is pleasant to the individual.	Epicurus, Hobbes, Bentham, Mill, Sidgwick, etc.
b. Naturalism	A thing has value when it is the object of "interest" by an individual. Interest denotes desire, preference, admiration, will or purpose.	Perry.
c. Emotivisim	Value judgments are not statements of fact but mere expressions of sentiments which may or may not be true.	Ayer, Carnap, Russell, Stevenson, etc.
2. Objectivism	Value is an innate property of an object that individuals are merely able to "apperceive" by intuition.	Plato, Aristotle, St. Thomas, Kant, Moore, Scheler, etc.
3. Relationalism	Value is neither wholly subjective nor wholly objective but is a relationship between the subject and object.	Dewey, Ducasse, Makiguchi, etc.
a. Instrumentalism	Value is a relation as means to an end which is desirable.	Dewey.
b. Contextualism	Value depends on both personal and impersonal relations, and is influenced by the "quality of events".	Pepper.

Source: Sinha (1996)

Table 2-2: Value in Economics - Major Theories

Theory	Value Conception	Principal Proponents
1. Early Classical - pre Adam Smith	Value of a good is its just price, i.e. the production cost incurred by the artisan and a small profit allowing to maintain his rank or station in life.	Plato, Aristotle, St. Thomas Acquinas and the schoolmen.
2. Classical - post Adam Smith	Source of value is the production not exchange. Value depends on the labor involved in production.	Smith, Ricardo, Marx, Sraffa.
- Post Keynesian/ Marxian	Value depends on labor costs, i.e. the value of a commodity is its embodied labor and surplus labor is the source of profits to the capitalists class.	Marx.
3. Neoclassical	Value arises in the individual's mind and is the main reason for exchange. All economic activity thus depends on the value perceived by economic actors.	Bernoulli, Walras, Jevons, Menger, Marshall, etc.
a. Early Italian	Value of a good depends on its utility, scarcity and excellence (quality).	Lottini, Davanzati, Montanari, Galiani, and Turgot.
b. Marginalist and neo-Marginalist	Value of a good is its *marginal utility*	Menger, von Wieser, Bohm-Bawerk, von Mises, etc.
c. Neo-neoclassical	Value is merely price in equilibrium. The study of value is not central to economics as earlier advanced.	Edgeworth, Pareto, Samuelson, etc.

Source: Sinha (1996)

Table 2-3: Value in Marketing - Major Theories

Theory	Value Definition	Research Articles
1. Transaction-Specific	Value is the perceived savings in the transaction (i.e. reference price less given price).	Shapiro (1970), Barnes (1974), Szybillo and Jacoby (1974), Berkowitz and Walton (1980), Della Bitta et. al. (1981), Urbany et. al. (1988).
2. Price-Adjusted Quality	Value is quality conditional on price (i.e. Value = Quality/Price).	Monroe (1979), Monroe and Poetroshius (1981), Dodds (1991), Dodds et. al. (1991), Bolton and Drew (1991), Lichtenstein et. al. (1993), Tellis and Gaeth (1990).
3. Utility-Oriented	Value depends on utility of the product or utility conditional on the sacrifice made (i.e. Value = transaction utility + acquisition utility).	Johnson (1974), Martin (1982), Thaler (1985), Hauser and Urban (1986), Zeithaml (1988), Lichtenstein et. al. (1990), Krishnamurthi et. al. (1992).
4. Experiential	Value is an interactive experience or is a subjective notion derived from experience. Value is highly influenced by situation.	Holbrook and Hirschman (1982), Holbrook and Corfman (1985), Holbrook (1994), Woodruff and Gardial (1996), Woodruff (1997).

Source: Sinha (1996) and Overby (2000)

was neither wholly objective nor subjective, but rather was a relationship between the individual and object. As described by Sinha (1996), the main deficiency with the conceptualization of value in philosophy is that they have failed to incorporate the sacrifices individuals make and the price that individuals pay to obtain value. In addition, philosophy does not adequately address the content or type(s) of value.

Value in Economics

Early economic thought, pre Adam Smith, characterized value as the "just price" of an object. Essentially, a "just price" consisted of the object's production cost and a small profit for the producer. This notion of value was expanded by Adam Smith and Marxian economists who stated that value could include more than a small profit by differentiating the object on the labor involved in production. Essentially, the skills of artisans were viewed as a source of value embedded in products and could influence the price of the product.

The Neoclassical theory of value began to shift the focus of value away from an object specific view to one that included the individual or consumer of the product. Value was described as a function of the individual's assessment of the object's utility, scarcity and quality (Sinha 1996). Current economic thought describes value as the equilibrium price of an object. The equilibrium price is the point at which demand for a product equals the supply of the product. Given this conceptualization of value, the school of economics seems to focus on the way individuals should act and they do not incorporate the actual behavior of the individuals. Without the inclusion of psychological motivation, the conceptualization of value does not adequately address the full domain of

value and how value is formed (Sinha 1996). Additionally, the neoclassical economics perspective conceptualizes value relative to a product and does not consider other benefits that may be of value to individuals or firms. In particular, the economics perspective does not address the value of channel relationships which enable firms to produce products and services. The emergence of supply chain management has focused on the combined effort of channel partners to deliver value to downstream customers. These relationships are important in understanding value because supply chains, through collaborative efforts, may be able to expand the depth or breadth of benefits received by customers.

Value in Marketing

In recent years, the concept of value has entered mainstream marketing discussions (Cannon and Homburg 2001; Gale 1994; Woodruff 1997). Evidence of the topic's importance to the field can be seen in its selection as the theme of the 2001 American Marketing Association - Sheth Foundation Doctoral Consortium and its selection as one of the two top research priorities by the Marketing Science Institute. Research on value in Marketing has attempted to overcome the limitations of philosophical and economic theory. The taxonomy presented in Table 2-3 developed by Sinha (1996) describes the four major value theories in the marketing literature. Each of these theories is discussed in the following sections.

Transaction-Specific Theory

Early marketing research on value adopted a transaction-specific perspective (Sinha 1996). Under this perspective, value equates to the individual's perceived savings in a given transaction. Research within this perspective focused on aspects of price like perceived worth, price acceptability, and value for the money (Berkowitz and Walton 1980). Additionally, Szybillo and Jacoby (1974) studied the effect of perceived worth and perceived quality on purchase intentions. The results of their research indicate that perceived worth is a better predictor of purchase intentions than perceived quality (Szybillo and Jacoby 1974). While transaction-specific theory provides some insight into individual's perceptions of value, it is constrained to price saving and does not adequately address other benefits into its conceptualization of value.

Price-Adjusted Quality Theory

The price adjusted quality theory of value contends that value is a subjective evaluation of price and perceived quality (Dodds 1991a; Dodds 1991b; Lichtenstein et al. 1993; Overby 2000; Sinha 1996). As Dodds et. al. (1991) explain:

> Price can be an indicator of the amount of sacrifice needed to purchase a product and an indicator of the level of quality. Higher prices lead to higher perceived quality and consequently to a greater willingness to buy. At the same time, the higher price represents a monetary measure of what must be sacrificed to purchase the good, leading to a reduced willingness to buy. The cognitive tradeoff between perceptions of quality and sacrifice result in the perceptions of value (p. 308).

As shown in this quote, the inclusion of quality has become a major element in the buyers' evaluation of value. Gale (1994) describes customer value as the "market-

perceived quality adjusted for the relative price of your product" (p. *xiv*). In this definition, market-perceived quality represents the customer's opinion of a product relative to similar or competitor products (Gale 1994). The conceptualization of value as strictly a price-quality tradeoff does not seem to capture the full concept of value. In particular, the price-quality tradeoff does not account for the desires of consumers going into a particular use situation. Shifting away from the customer's perspective and to the seller, Sinha (1996) asks "what helpful purpose does a product having high quality and a low price serve when it is not desired by anyone, i.e. *there is no perceived utility*?" (p. 30). The price-adjusted quality theory of value acknowledges the subjective evaluation of both price and quality. However, the evaluation of value is only focused on a product. The notion of product in this theory also includes services, but it does not address aspects of value such as relationships with sellers or upstream supply chain relationships. While a relationship may influence the perception of quality, it may also provide value-added services like financing and delivery terms that may not be included in one's perception of quality.

Utility-Oriented Theory

Given the short comings of price-adjusted quality, utility-oriented theory suggests that value is the tradeoff between utility/benefits and sacrifices (Sinha 1996). Within this conceptualization, Monroe (1985) defines value as "perceptions representing a tradeoff between the benefits from a product or service relative to the sacrifice they perceive by paying the price" (p. 46). Additionally, Zeithaml (1988) defines value as "the consumer's overall assessment of the utility a product based on perception of what is received and

what is given" (p. 14). While the utility-oriented theory begins to incorporate the desires of consumers, it does not account for differences in consumer characteristics which may influence the assessment of value (Sinha 1996). For instance, the conceptualization of value may vary in heterogeneous populations. In regards to this dissertation, the variation in how organizations conceptualize value is also present. The heterogeneity of companies within a specific industry describes the unique needs of individual companies and thus will produce variation in how companies assess the utility of a product.

Experiential Theory

The experiential theory describes value as an interactive experience or as a subjective notion derived from experience (Sinha 1996). For example, Holbrook (1994) defines value as "an interactive relativistic preference experience" (p. 27). This definition contributes several key elements to the understanding of value. First, value is a preference or a favorable disposition or liking. Second, value involves interaction between an object (good, service, person, place, thing, event, or idea) and an individual. Third, value is relativistic or influenced by the situation in which an evaluation occurs and by the individual making the evaluation. Finally, value is linked to an experience. The inclusion of experience enables value to address not only the purchase of a product, but also the actual consumption of a product.

As described in Chapter One, Woodruff (1997) define customer value as:

> ...a customer's perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations (p. 142).

This definition extended the experiential theory of value by recognizing that value is both a perceived preference for a product (desired value) and an evaluation of the products' performance in a given use-situation (received value). Similar to previous definitions, Woodruff (1997) acknowledges that value is perceived by customers, linked to a product, and is specific to a given use-situation.

While the experiential theory of value has evolved predominantly in consumer behavior, it is beginning to surface in business-to-business (B-to-B) research (Flint 1998; Flint et al. 2002; Garver 1998). B-to-B research has predominantly adopted price-adjusted and utility-oriented perspectives of value. However, a recent article by Cannon and Homburg (2001) calls for the expansion of value to incorporate elements above and beyond the price-quality tradeoff. Experiential value in relationships provides insight into social and psychological elements of relationships. While more difficult to measure, these elements may provide evidence as to why firms initially develop, continue to maintain, or ultimately dissolve a particular relationship.

Additional understanding of value in a channels setting comes from typologies of value. These typologies may provide insight into the development of consequences through buyer-seller relationships.

Typologies of Value

While value is believed to be the result of tradeoffs, the scope of the tradeoffs extend beyond that of simply price and quality to include a variety of sacrifices and benefits (Holbrook 2002; Holbrook 1994; Sheth et al. 1991; Woodruff 1997; Woodruff and Gardial 1996; Zeithaml 1988). These benefits and sacrifices resulting from tradeoffs

primarily occur at the consequence level of the customer value hierarchy (see Chapter One for definition) (Woodruff 1997; Woodruff and Gardial 1996; Zeithaml 1988). As described by Woodruff and Gardial (1996), consequences are the participants' "subjective considerations" of the experiences (both positive and negative) resulting from relationship use or what the relationship does for the participants (desired and/or undesired) (p. 65). Consequences have been the subject of several studies within the marketing literature (Garver 1998; Holbrook 2002; Holbrook 1994; Lai 1995; Sheth et al. 1991). Table 2-4 provides a summary list of the consequences identified in the marketing literature. The only consequences from this list mentioned by the channels and relationship literature include functional and social value. Thus, the researcher only describes functional and social value in this section. The remaining consequences are explored further during the data analysis process as they may provide valuable insight into the perspectives of participants in this dissertation research.

Functional Consequences

Functional consequences are the benefits and/or sacrifices that a customer experiences in a use situation and associates with a product's ability to perform its intended purpose (Overby 2000; Woodruff and Gardial 1996). As explained by Woordruff and Gardial (1996), "customers will seek consequences that are linked to a desired purpose or goal and avoid those that are not" (p. 56). Similarly, Sheth, Newman, and Gross (1991) define utility as "the satisfaction derived from using a product or service" (34). In addition, utility can be derived from the product before it is consumed, during consumption, and after consumption (Woodruff 1997).

Table 2-4: Types of Value Consequences

Researcher	Consequences
Burns (1993)	1. Functional value 2. Symbolic value
Sheth, Newman, and Gross (1991)	1. Functional value 2. Social value 3. Emotional value 4. Epistemic value 5. Conditional value
Holbrook (2002)	1. Efficiency value 2. Play value 3. Excellence (Quality) value 4. Esthetics value 5. Status (Success) value 6. Ethics value 7. Esteem value 8. Spirituality value
Lai (1995)	1. Functional benefits 2. Social benefits 3. Affective benefits 4. Epistemic benefits 5. Aesthetic benefits 6. Hedonic benefits 7. Situational benefits 8. Holistic benefits
De Ruyter, Wetzels, Lemmink, and Mattsson (1997)	1. Emotional value 2. Practical value 3. Logical value
Naylor (1996)	1. Experiential benefits 2. Functional benefits 3. Symbolic benefits
Garver (1998)	1. Social value 2. Functional value
Gassenheimer, Houston, and Davis (1998)	1. Economic value 2. Social value

While the focus of functional consequences has traditionally been on the customer and his/her use of a product or service, research is beginning to explore functional consequences associated with buyer-seller relationships. These relationships present an opportunity to examine value in a relatively new context. For example, Garver (1998) describes functional value in a buyer-salesperson setting as the perceived benefits and costs that participants associate with performing internal operations more efficiently and effectively. Further research is needed in this area because marketing researchers know very little about the types of value produced in buyer-seller relationships. Are the types of functional consequences associated with relationships the same types of functional consequences associated with conventional products?

Social Consequences

As defined by Overby (2000), social consequences "represent the ability of a product or service to portray an image to others that is congruent with the norms of important others" (p. 45). This type of value is similar to Holbrook's (1994) esteem value. Holbrook (1994) defines esteem value as "the reactive contemplation of one's own status and prestige, as reflected in the approbative opinion of others" (p.48). Additionally, Sheth, Newman, and Gross (1991) explain that social value influences the consumption of visibly identifiable products. Garver (1998) also describes dimensions of social value in a buyer-salesperson context. These dimension include:

"It just makes you feel taken care of."

"I feel very comfortable with him."

> "Because it's more fun to work with someone like that. Its nice to come to work and enjoy what you do" (p. 114).

Gassenheimer, Houston, and Davis (1998) also address social value. However, they base social value on the satisfaction of firms with their exchange partners, and a firm's comparative evaluation of their alternative options for accomplishing the goals of the relationship. The Gassenheimer, Houston, and Davis (1998) conceptualization of social consequences seems to stray from Garver's (1998) social value dimensions and the aforementioned definitions of social value. Thus, there appears to be a need for clarification in terms of the definition of social value in a channel relationship context. The clarification of social value is also needed because social value is defined differently in consumer behavior research. In consumer research, social value is the perceived utility stemming from the products association with specific a social group(s) (Sheth et al. 1991). The use of the term social value in consumer behavior and in B-to-B research is different. Since B-to-B research on customer value stems from research in consumer behavior, research is needed to clarify social value and to develop an appropriate term for the phenomena.

The identification of customer value research opportunities in business relationships stem from previous research in philosophy, economics, and consumer behavior. In order to understand the nature of value in buyer-seller relationships, the next section reviews literature on buyer-seller relationship development.

The Development of Buyer-Seller Relationships

One of the most glaring issues facing the development of buyer-seller relationships deals with the evolution, growth, and decline of relationships. While the marketing literature offers a variety of studies on the development of buyer-seller relationships (Anderson and Narus 1990; Cannon and Jr. 1999; Dabholkar et al. 1994; Dahlstrom et al. 1996; Heide 1994; Lambert et al. 1996; Wilson 1995), there is a need to explain how and why firms develop these relationships. As a means for clarifying this issue, this section will review the literature on the development of buyer-seller relationships. The conceptual model in Figure 2-1 is adapted from Dwyer et al. (1987) and helps organize existing literature on buyer-seller relationships. The model includes phases of relationship development and characteristics of each phase.

According to Dwyer et al. (1987), relationships develop in phases, and each phase contains unique relationship characteristics and processes. The first phase, initiation, focuses on the tactics firms use in evaluating the viability or potential of exchange partners. This evaluation enables firms to position themselves so that relationships can be developed with the best possible exchange partner. Once these partners are identified, firms engage in preliminary negotiations that evolve into a forum for experiencing the relationship environment that exists between firms. This forum either extinguishes or fosters future interaction and leads firms into the exploration and expansion phase. In this phase, firms engage in increased direct interaction. This interaction helps firms develop the necessary building blocks of relational exchange. The building blocks include trust, dependence, adaptation, cooperation, and time orientation.

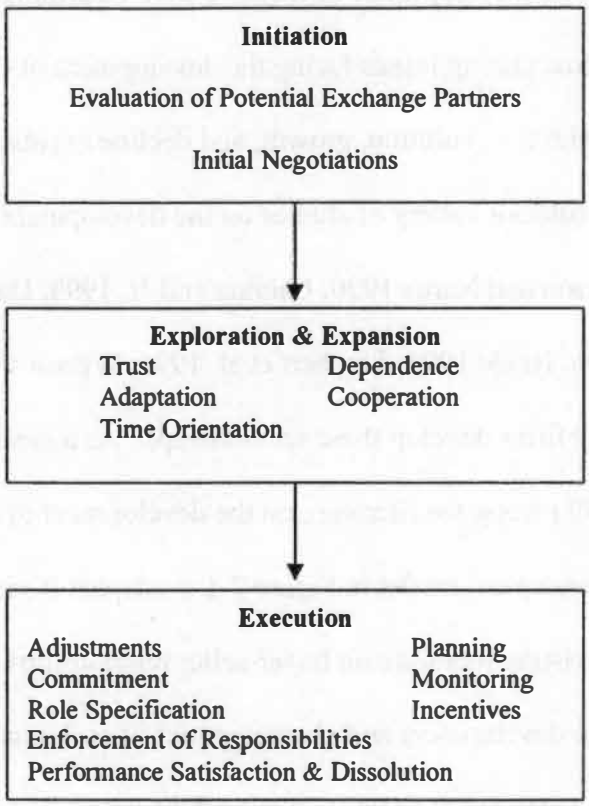

Figure 2-1: Buyer-Seller Relationship Development Process
Development Stages and Relevant Variables

(Adapted from Dwyer, Schurr, and Oh, 1987)

With these elements in place, firms move into the execution phase where they commit themselves to one another and therefore, take control of developing future interactions and exchanges (Heide 1994). A discussion of each development phase follows.

Initiation

The first phase of the development process involves the initial actions firms take when it perceives a need or has a motive to engage in relational exchange (Foa and Foa 1974; Frazier 1983). As mentioned in Chapter One, several theoretical frameworks suggest drivers of relationship development:

1. Transaction-cost theory - risk reduction and asset/cost efficiencies
2. Strategic initiatives - improved competitive position, modification of the market structure, and generation of new market opportunities
3. Organizational theory - organizational learning and information sharing (Ganesan 1994; Webster 1992).

In addition, Frazier (1983) identifies situations leading to relational exchange:

1. Replacing a current exchange partner that is perceived to be unsatisfactory,
2. Adding an additional exchange partner who offers healthy product margins or increased volume,
3. Starting a new business or going into a new geographical region where no exchange relationship currently exist (p. 69).

While these situations may lead to exchange relationships, there is a need for more empirical evidence on value within buyer-seller relationships. For instance, what type(s) of value do firms desire when they develop a relationship with an exchange partner who offers healthy product margins or increased volume? Functional value? Social value? Additionally, the situations listed above only consider the perspective of one relationship participant. Future research should consider the combination of the

buyer's and the seller's desired value when addressing the development of relationships since both parties are involved in the relationship.

Given the needs and motives of the participants, the initiation phase is similar to environmental scanning practices where firms gather information on potential partners, evaluate the gathered information, and then possibly engage in preliminary negotiations with certain firms. In many ways, the initiation of the relationship development process describes the positioning tactics firms use in developing the best relationship opportunity (Heide 1994).

The assessment of potential exchange partners is performed by each firm and generally involves an assessment of predetermined partner selection criteria. Initiation can be further broken down into an assessment of corporate compatibility, compatibility of management philosophies, demographic symmetry, mutuality, and skill evaluation.

Corporate Compatibility

The development of buyer-seller relationships is dependent upon the willingness of each firm to continue the relationship. One factor that is involved in the development and sustainability of relationships is the compatibility of the firm's cultures and business objectives (Brouthers et al. 1995; Lambert et al. 1996). Corporate compatibility also includes an evaluation of a potential partner's attitudes towards a firm's product or service (Heide 1994).

Compatibility of Management Philosophies

This element of initiation follows corporate compatibility because it addresses related issues. Whereas corporate compatibility assesses the culture of the organization, the assessment of management philosophies explores a firm's operational-level strategies. This is a key area because managerial philosophy can induce quick changes because it focuses upon the implementation of strategy through means like teamwork, Just-In-Time Inventory, organizational structure, and ISO 9000 certification. The assessment of management philosophy facilitates relationship development because it provides insight into a potential partner's operations and processes that may be frequently encountered (Dwyer et al. 1987a; Lambert et al. 1996).

Demographic Symmetry

When prospecting for potential relational exchange partners, firms establish criteria which help identify potential partners. One method may be to look for partners with whom they are demographically similar. Some of the demographics that may be used include expectation of mutual success, firm size, financial strength, company reputation, market share, and information and technology infrastructure (Lambert et al. 1996). Based on demographic criteria, firms can evaluate potential partners and assess the risk of engaging firms that do not fulfill all of their criteria (Wilson 1995). Symmetrical partnering assists relationship development in that it brings firms together that are congruent when assessing essential demographic criteria. This is very important because it may help in eliminating harmful issues like power and information dependence (Heide 1994; Mishra et al. 1998).

Partner Adaptability

The willingness of prospective exchange partners to acknowledge the position of another partner is critical to the long term success and orientation of the relationship (Ganesan 1994). While adaptability includes the recognition of a partner's position, it also includes acquiescence, or the willingness to accept and fulfill a partner's requests (Bendapudi and Berry 1997; Morgan and Hunt 1994). The initial assessment of adaptability provides firms with a sense of how a partner will behave when faced with special requests or conflict. Other issues that are assessed include a firm's willingness to share information, adopt a long-term orientation, and develop mutual goals (Lambert et al. 1996). Adaptability plays a key role in developing relationships because it helps to build a foundation upon which rests the elements of the exploration and expansion phase.

Skill Evaluation

The final element of relationship initiation is the skill evaluation of potential partners. As discussed earlier, the business environment is continually changing, so it is important to verify the qualifications of firms that may contribute to the deliverance of value to one's customers (Brouthers et al. 1995). Similar to the skill assessment is the evaluation of potential value that may be added to a product by a partner (Wilson 1995). It is through this type of analysis that firms can begin to see the benefits that can only be realized through the development of a relationship or by managing a supply chain. For instance, a firm may develop a relationship with a third party logistics provider (3PL)

because the 3PL provides them with access to new markets (Ellram and Cooper 1990; Leib and Maltz 1998).

Initiation Summary

As Frazier (1983) explains, firms seek to establish relational exchange partners to help satisfy perceived needs and motives. This conceptualization of needs and motives should be expanded to determine if the needs and motives organizations vary depending on their role, either buyer or seller, within the relationship. Additionally, the scope of needs and motives should be expanded to consider the influence of groups outside the relationship. For instance, do the needs of end users influence a retailer or manufacturer's need to develop relationships with suppliers? Essentially, research on the needs and motives of participating organizations should be expanded to address the larger supply chain context in which a relationship is embedded.

As a means of addressing these research gaps, researchers should explore not only the role of a relationship in fulfilling existing organizational goals. In regards to relationship value, what do firms want from an ideal exchange partner? Research on desired relationship value could strengthen our understanding of relationship initiation by providing additional criteria for evaluating potential exchange partners. Additionally, the consideration of what firms desire from the actual exchange partner may provide insight into why some relationships succeed and why some relationships fail. The understanding of firm desires could help establish a standard for assessing the performance of the relationship.

Exploration and Expansion

If firms are favorably disposed of each other after the initiation phase, the literature suggests a new phase will ensue. Interaction between the parties increases, which lay the foundation for future exchanges. This phase, exploration and expansion, represents a very fragile time in the development of relationships in that partners are willing to move away form unilateral testing of partners and begin to examine the bilateral nature of the relationship (Dwyer et al. 1987b). Because firms have not made considerable investments in the relationship at this point in the process, the association is very easy to terminate if needed by the participants. During this phase, the interactions between buyers and sellers produce several building blocks that are required before the relationship can be fully implemented or executed. These building blocks include trust, dependence, adaptation, cooperation, and time orientation. In addition to being important antecedents of relationship development, these concepts also represent a link between relationship research and customer value research. Trust, dependence, adaptation, cooperation, and time orientation are all potential consequences of relationship interaction (Flint 1998). Future research should explore the role these concepts play in understanding the value of buyer-seller relationships. In particular, to what extent is trust, etc. a part of the value desired by buyers and/or sellers? A discussion of each concept follows.

Trust

Trust represents the most fundamental building block of buyer-seller relationships. While many definitions of trust exist in the literature, trust is essentially

the willingness to rely on an exchange partner in whom one has confidence (Moorman et al. 1992; Morgan and Hunt 1994; Weitz and Jap 1995; Williams et al. 1998; Wilson 1995). Ganesan (1994) describes trust as being comprised of two distinct components:

1. Credibility – the extent to which one relationship partner believes that the other relationship partner has the required expertise to perform the job effectively and reliably.
2. Benevolence – the extent to which one relationship partner believes that the other relationship partner has intentions and motives that are beneficial when new conditions arise, conditions for which were not explicitly described in the development of the governance structure.

According to Wilson (1995), trust is not active at the very beginning of the initiation phase of the development process. Trust is active during relational exchange, but it appears to reach a certain level and then it becomes latent (Wilson 1995). Morgan and Hunt (1994) support this notion where they show trust serving as a mediating variable within the development of relationships. Trust's role in the development of buyer-seller relationships is well documented and there is little doubt that it is a cornerstone of these relationships.

Dependence

Dependence refers to a party's need to maintain a relationship in order to achieve their desired goals (Frazier 1983). Increased levels of dependence are evident in situations where:

1. Outcomes obtained from a partner are highly valued and the magnitude of the exchange is high.
2. Outcomes obtained from a partner exceed the outcomes available from the best alternative partner.
3. One partner has few alternative partners or potential partners of exchange (Heide and John 1988).

As described above, dependence is closely related to the symmetry of the buyer's or the seller's power. El-Ansary and Stern (1972) define power as "the ability to control the decision variables in the marketing strategy of another member in a given channel at a different level of distribution" (p. 47). Dependence also focuses on the location and use of critical information within the relationship. Information asymmetry exists when one party is dependent upon its partner for decision-making information. Information asymmetry can be alleviated through the mutual planning of long-term objectives and through the development of information systems which link all of the involved parties together (Mishra et al. 1998).

Adaptation

Adaptation involves interorganizational processes by one party to accommodate the other party involved in the relationship (Han et al. 1993; Wilson 1995). The concept of adaptation can be expanded to include acquiescence. Acquiescence is similar to adaptation in that it involves accommodating the other participants, but it also includes a party's willingness to accept and fulfill a partner's request (Bendapudi and Berry 1997; Morgan and Hunt 1994).

Cooperation

Anderson and Narus (1990) define cooperation as "similar or complementary coordinated actions taken by firms in interdependent relationships to achieve mutual outcomes or singular outcomes with expected reciprocation over time" (p. 45). One can easily discern from this definition that cooperation is vital to the success of relationship

development. Because cooperation incorporates coordinated actions, several other buyer-seller relationship characteristics are included within its domain.

First, shared values represent the degree to which the beliefs of partners are common in regards to what behaviors, goals, and policies are significant or insignificant (Morgan and Hunt 1994). Another characteristic is the development of mutual goals. These goals are produced through joint interaction and through the continued maintenance of the relationship (Wilson 1995). One of the characteristics resulting from shared values and mutual goals is structural bonds. Structural bonds represent areas where the organizational structures of the participating firms are tied together by the interactions within the relationship. The significance of these bonds is that they continue to strengthen as the relationship develops and they make it very difficult for the involved parties to terminate the relationship (Han et al. 1993; Wilson 1995). The characteristics mentioned above support cooperation in that they involve the coordinated efforts of participants to achieve mutually beneficial goals.

Time Orientation

One of the primary characteristics of buyer-seller relationships is time. Relationships do not occur at one particular moment, but instead they transpire over either set or indefinite periods of time. While time reflects the longevity of relationships, it does not account for the long-term orientation associated with buyer-seller relationships. The development of a long-term orientation is due to the relationship's ability to address the goals and objectives of the participating firms. This long-term orientation signifies not only the involved parties expectations and desire to continue the

relational exchange, but it also signifies an appreciation for the utility of the relational exchange (Dwyer et al. 1987b; Ganesan 1994).

Execution of Relational Agreement

The final phase in the relationship development process involves the execution of the relationship existing between the participating firms. Buyer-seller relationships come in many different forms, i.e. strategic alliances, partnerships, joint ventures, etc. (Heide 1994). These different types of relationships provide firms with different frameworks for maintaining relational exchange. The participants in the exchange design frameworks that generally involve a certain level of organizational commitment and include relationship roles, planning, adjustments, monitoring, incentives, and performance enforcement systems.

Commitment

Dwyer et. al. (1987) describe commitment as an "implicit or explicit pledge of relational continuity between exchange partners" (p. 19). The pledge to continue a relationship describes a situation where the partners believe a relationship is so valuable that they will exert effort to ensure its future existence (Moorman et al. 1992; Morgan and Hunt 1994; Wilson 1995). This issue is particularly interesting because it implies importance of the relationship to the partners and a desire to continue the relationship in the future. However, the extant literature does not adequately address the value that relationships generate for the participating firms. This is another instance where

understanding the value of buyer-seller relationships to both buying and selling organization would be beneficial to business marketing research.

Additionally, Wilson (1995) portrays commitment as a latent variable during initiation and also within the exploration and expansion phase of the development process. Commitment is a characteristic that evolves over time and assists in the development of other relationship characteristics (Morgan and Hunt 1994). One characteristic that often facilitates commitment is social bonds. These bonds represent the mutual personal friendships shared by buyers and sellers (Wilson 1995).

Role Specification

Role specification refers to how decisions and functions are assigned to the partners in a relationship. The roles involved in the relationship can remain separate throughout the relationship, or they can be integrated into teams to address issues affecting all relevant parties (Heide 1994). While some relationships contain strictly specified roles, others may seek to have coordinated interaction. In this situation, the participants may develop overlapping roles as a means for building a more synergistic environment. Additionally, the development of overlapping roles are often a function of investments specific to a particular relationship (Heide and John 1990).

Nature of Planning

All involved parties engage in planning when they consider and map future contingencies, consequential duties, and consequential responsibilities (Macaulay 1963). The proactive nature of planning is very common in buyer-seller relationships, but the

scope and rigidity of the plans may differ. For instance, some relationships develop contracts (i.e. franchising) where the nature of the relationship is spelled out in black and white and one party is essentially the decision maker or gatekeeper for the relationship. In contrast to contractual agreements are relationships containing a decentralized and flexible planning process. The decentralization of the planning process enables the participants to exchange information and assist in developing a plan (Heide and John 1990). These types of plans, that are not as formal and have lower levels of specificity under conditions of uncertainty, have been shown to enhance performance in industrial relationships (Noordewier et al. 1990). Similar to role specification, the method for and outcomes of planning are determined by the participants in the relationship.

Research in this area could be extended to examine the interaction between buyers and sellers when addressing relationship related events or situations. The planning process within relationships seems particularly interesting because it involves the development and coordination of activities across organizational boundaries. Future research is also needed to address variation within the planning process. There are undoubtedly situations confronting buyers and sellers that are inherently complex or simple. The approach organizations take in working with partners to address these situations should stem from its efforts to evaluate the situation and organize the appropriate strategy for addressing the demands of the confronting circumstances.

Nature of Adjustments

As mentioned earlier, the future of buyer-seller relationships depend on the willingness of each partner to fulfill the request of the other. The manner, in which

participants make adjustments, in large part, is reflective of the nature of a relationship's long-term plan. For instance, contractual agreements may include strict procedures for handling adjustments. These procedures are generally developed a priori and offer little room to amend the initial agreement (Heide 1994). On the other hand, relationships that involve overlapping roles and highly interactive planning may handle adjustments by mutually developing processes that benefit everyone involved (Dwyer et al. 1987b).

Monitoring Procedures

Evaluating a relationship is a strenuous task, even when success is explicitly defined in the relationship's mutual plan. Contractual agreements rely solely on the accomplishment of specific tasks. Agreements utilizing less formal plans require a proactive measurement process. These relationships seek to work together to eliminate reactive measures and to develop procedures that assist them in proactively preventing problems and most importantly, actively navigating their relationship. The proactive procedures require high levels of self-control, which is fostered by trust and commitment among partners (Heide 1994).

Another way to monitor buyer-seller relationships is to develop a method of quantifying the value of the actual relationship and then treating it as a market-based asset. Through this type of monitoring, the impact of relational investments can potentially be explained in terms of their contribution to shareholder value (Johnson 1999; Srivastava et al. 1998). Additionally, marketing research in this area may be further strengthened by developing monitoring procedures according to the types of value that are most important to the relationship participants.

Incentive System

Traditionally, buyers and sellers were rewarded based solely upon the achievement of short-term financial goals (Kogut 1988). When considering relational exchange, the incentives may still be based upon outcome-specific measures, but they tend to have a long-term orientation (Ganesan 1994). For instance, outcome-related incentives may be supplemented by attaching employees' salary increases to observed performance within a relationship. Incentives may also be tied to the fulfillment of relationship-oriented goals. These goals may focus on the improvement of the value of the relationship as a market-based asset (Srivastava et al. 1998).

Methods of Enforcing Performance

The thrust of the enforcement issue lies in the cooperation of the involved parties. In situations where contracts exist, enforcement of the contract is very methodical and occurs internally through predetermined decision-making authority or it can be handled externally through the court system. When contracts do not exist, other mechanisms within the relationship may solve the issue. For instance, if companies exhibit corporate compatibility and share values, the need for a formal resolution to a problem may be unwarranted (Heide 1994). Also, the long-term nature of many relationships generates expectations of future benefits (Ganesan 1994). At times, these expectations may override a discrepancy between the partners. The most effective enforcement method is the tying of incentives to issues like acquiescence and cooperation (Heide 1994).

Performance Satisfaction and Relationship Dissolution

Performance satisfaction describes the degree to which the outcomes of the relational exchange meet the participants expected outcomes (Wilson 1995). Also included under performance satisfaction is the propensity of participants to leave the relationship and the comparison level of alternative exchange partners. The propensity to leave characteristic utilizes performance satisfaction to determine the perceived likelihood that a member will dissolve the relationship in the reasonably near future (Morgan and Hunt 1994). Anderson and Narus (1990) define the comparison level of alternatives (Clalt) as the quality of the outcome available from the best available relationship partner. They note that quality of the outcome when judged against alternatives is a measure of the dependence of one partner on the other. If there is a wide array of high-quality partners, dependence will be low, but if the Clalt is low, the partner will be less likely to leave the relationship because the alternative partners are not as attractive as the current partner (Anderson 1990; Wilson 1995).

The dissolution of buyer-seller relationships is beginning to receive more attention in the marketing literature. As previously mentioned, the friction between participating firms has been linked to (1) changes in relationship objectives, (2) complacency of partners within the relationship, (3) changes in firms' moral attitudes toward business and society, (4) the emergence of extraneous barriers like government regulations, and (5) a refusal to adopt a relational exchange mindset (Gassenheimer et al. 1998; Gundlach and Murphy 1993; Levinger 1979; Williamson 1993). These causes suggest that the goals and objectives firms' seek to achieve through the development and maintenance of relational exchange influence the firms' perceptions of relationship

success and failure. Relationship friction slows down or impedes the development of buyer-seller relationships and could ultimately lead to the dissolution of a relationship.

While the symptoms of relationship friction are discussed in the literature, there is a need to investigate how companies respond to the symptoms or "warning signs of relationship friction." In particular, research is needed to address decisions involved in determining whether to address the problem area (friction) or to dissolve the relationship. How do companies respond to friction with customers or with suppliers? This question is interesting for a couple reasons. First, it focuses on the decisions of a firm to respond to friction. Second, it does not assume that one party is always correct. It is not uncommon for businesses to integrate the belief that "customers are always right" into their business philosophy. Research is needed to address situations where customers may not always be "right." Are there situations where customer and/suppliers create friction that becomes a detriment to the other firm's business? If so, how do companies determine when to exit a relationship?

Additionally, the symptoms of relationship friction do not explain why the objectives of the relationship changed or why a partner has become complacent. Within the extant literature, there is a need to link the behavior of participating firms to the goals and needs they seek to fulfill from a relationship. As a relationship develops, these goals and needs may change and lead to friction because perceptions and/or behaviors that were once appropriate may now appear to be inappropriate. This area may offer the most insight into the variation of relationship success because it does not assume that dissolved relationships are unsuccessful. As an indicator of relationship performance, is dissolution always a negative outcome? Dissolving a relationship may stem from negative friction,

but it may also stem from changes in the goals of participants or in the business environment. It seems like this area could be expanded to capture more variation in the drivers which lead to relationship dissolution.

The aforementioned elements of the execution phase provide participants with processes to assist them in directing future relational interactions. The intricacies of these processes are unique in that the participants in a given relationship tailor the processes to fit their specific situations. It is through the execution of these processes that buyers and sellers can leverage the relationship between their firms in addressing certain situations and in delivering value to both firms.

Overall Research Issues Pertaining to Buyer-Seller Relationship Development

The most glaring issue facing the development of buyer-seller relationships deals with the evolution or growth of the relationships. The previous discussion of relationship development included a three-phase growth process and unique characteristics of each phase. While the model in Figure 2-1 is easy to follow, the model does not adequately address the pace and manner in which firms transition to higher relationship stages. The linear nature of the relationship development process seems overly simplistic and normative in characterizing phenomena that are dynamic, unique to the participating firms, and influenced by the environment in which they exist. Many of the relationship development models in the marketing literature seek to provide broad conceptualizations that describe typical relationships. The relationship phenomena are inherently unique and tied to the desires of the participating firms within specific situations. Research is needed to provide empirical evidence of relationship development. In particular, empirical

evidence is needed to address the capability of the development process in explaining the inherent variation in the relationship phenomena.

As mentioned in Chapter One, the recognition of relationship value may provide insight into the development of relationships, the pace in which they grow, and the success and/or failure of the relationship. Additionally, there is a need to understand the composition of relationship value from a dyad perspective. While buyer-seller relationships involve two perspectives, there is a lack of research representing the combined or holistic perspective of buyer-seller relationships. By incorporating the dyad perspective into channels research, researchers should be able to provide practical managerial insight into relationship management. The dyadic perspective should also provide theoretical insight on the role of shared and independent relationship value in the development of buyer-seller relationships.

CHAPTER THREE

THEORY BUILDING METHODOLOGY

Introduction

The overriding research objective for this dissertation is to better understand why and how firms engage in, maintain, and dissolve buyer-seller relationship. Initially, literatures on channels, buyer-seller relationships, and customer value were reviewed to assess the feasibility of hypothesis development and testing. This work revealed unclear concept definitions, little integration of theories, and lack of empirical support for proposed concept relationships. For instance, it was previously mentioned that the marketing literature is vague in terms of the definition and dimensionality of the various types of desired and received value. Thus, it was appropriate to ground a holistic understanding of the phenomena in reality before attempting to measure the phenomena based upon conceptual inferences or "hunches."

This dissertation addressed the overall research question by implementing a grounded theory methodology. Grounded theory enabled the researcher to build and expand upon theory that currently exists in the extant literature. The decision to build theory rather than test theory reflects the research objectives outlined in Chapter One and the literature gaps presented in Chapter Two. Overall, the purpose of this research was to gain deeper understanding of the relational value exchange that facilitates the development and maintenance of buyer-seller relationships. The grounded theory methodology enabled the researcher to expand the conceptual model in Figure 1-1 by

grounding an understanding of the relational value exchange phenomena in the experiences of business practitioners.

Grounded theory was chosen for this dissertation because it enabled the researcher to investigate unexplored and underdeveloped areas of relational value exchange, such as the process of interacting through relationships, the activities associated with relational behavior, the variation in relationships across situations, and the perceived effectiveness of relationships. As explained by Strauss and Corbin (1998) "grounded theories, because they are drawn from data, are likely to offer insight, enhance understanding, and provide a meaningful guide to action" (p. 12). The implementation of grounded theory methodology enabled the researcher to enhance the understanding of the existing model in Figure 1-1 by providing a holistic understanding of the complex relational value exchange phenomena.

Key Assumptions of Grounded Theory and Relational Value Exchange

For this dissertation, key assumptions about the nature of reality, guidelines offered by grounded theory methodology, and past research on relational value exchange phenomena guided the research design. The following sections detail these assumptions and guidelines.

Reality Assumptions

Like other qualitative research, this dissertation assumes that reality is as perceived by each participant in a study (Creswell 1994). As Taylor and Bogdan (1998) explain, central to qualitative research is "understanding people from their own frames of

reference and experiencing reality as they experience it" (p.7). The assumption of multiple realities enables a researcher to identify and empathize with participants to understand how they view or perceive certain phenomenon. Subsequently, this assumption challenges researchers to suspend their own perceptions, perspectives, and biases and to not take anything for granted. This does not mean researchers must suspend their experiences or beliefs, but means they must approach the phenomena in a manner that protects each participant's construction of reality.

An individual participant's reality provides insight into a phenomenon from one and only one perspective. However, these unique and individual perspectives of the world often overlap and enable common threads of meaning to emerge. In this study, these individual perspectives laid the foundation for understanding and explaining elements of relational value exchange that are underdeveloped in the current marketing literature.

Methodological Guidelines for Grounded Theory

As a qualitative method, grounded theory recommends method guidelines that are common to all qualitative research. Other guidelines are unique to grounded theory. In total, there are 17 methodological guidelines followed during the data collection and analysis. The first 10 assumptions pertain to all qualitative methods (Patton 1990, p. 40-41):

1. "Qualitative designs are naturalistic in that the research does not attempt to manipulate the research setting" (Patton, p. 39). The real-world is studied as it unfolds naturally and researcher is non-manipulative, unobtrusive, and non-controlling. The design is open to whatever emerges or has a lack of predetermined constraints on the study's outcomes.

2. Qualitative research is inductive in that the researcher immerses oneself "in the details and specifics of the data to discover important categories, dimensions, and interrelationship" (Patton, p. 40).

3. Qualitative research seeks to understand the whole phenomenon under study as a complex system and not simply individual parts. The focus is on the complex interdependencies that exist within the system and the system is not reduced to a "few discrete variables and linear, cause-effect relationships" (Patton, p. 40).

4. Qualitative data provides detailed, thick descriptions of the phenomena under investigation. Direct quotations are used to capture people's personal experiences and perspectives.

5. The researcher is the primary instrument for data collection and analysis and thus has direct contact with the study's participants. The objective of the researcher is to get close to the people, situation, and phenomenon being studied. Additionally, the "researcher's personal experiences and insights are an important part of the inquiry and are critical to understanding the phenomenon" (Patton, p. 40).

6. Change is constant and ongoing. The researcher recognizes that buyer-seller relationships occur over time. Any theory involving buyer-seller relationships should account for the procedural and changing nature of the phenomena.

7. Qualitative research views each case as being special and unique. The researcher's must be concerned with "being true to, respecting, and capturing the details of the individual cases being studied" (Patton, p. 40). The researcher's ability to analyze data across cases is contingent upon the quality of the individual cases.

8. Place findings in a temporal, social, and historical context. The researcher "must be careful to limit conclusions to those situations, time periods, persons, contexts, and purposes for which the data are applicable" (Patton, p. 471).

9. Complete objectivity is impossible and pure subjectivity undermines credibility. "The researcher must have empathic insight for data collection and analysis and neutrality toward emergent themes and findings" (Flint, p. 55).

10. Research design flexibility - Since the research design cannot be completely specified before fieldwork is conducted, the design partially emerges as the study occurs. The researcher remains open to adapting the inquiry as understanding deepens and/or situations change.

The final 7 assumptions pertain specifically to grounded theory and were described by Strauss (1987, p. 1):

1. "Very diverse materials (interviews, transcripts of meetings, court proceedings, field observations; other documents, like diaries and letters; questionnaire answers; census statistics; etc.) provide indispensable data for social research."

2. "There is a need for effective theory - at various levels of generality - based on the qualitative analysis of data."

3. "Without grounding in data, that theory will be speculative, hence ineffective."

4. "Social phenomena are complex: Thus, they require complex grounded theory. This means conceptually dense theory that accounts for a great deal of variation in the phenomena studied."

5. "While there can be no hard and fast rules governing qualitative analysis - given the diversity of social settings, research projects, individual research styles, and unexpected contingencies that affect the research - it is possible to lay out general guidelines and rules of thumb to effective analysis."

6. "Such guidelines can be useful to researchers across a broad spectrum of disciplines (sociology, anthropology, political science, psychology, public health, nursing, and education) and, regardless of 'tradition' or 'theoretical approach,' just as long as they believe their work can be furthered by the qualitative examination of materials. Also, such analytic methods can be useful whether researchers are wedded to the idea of social science per se or to more humanistic versions of social research ('understanding,' 'enlightenment')."

7. "Research is basically work - sets of tasks, both physical and conceptual - carried out by researchers. Development, use, and teaching of qualitative analysis can be enhanced by thinking specifically of analysis in terms of the organization and conduct of that work. Thus, what we know about work (from research on that phenomenon) can be applied to the improvement of research methods.

Through the implementation of a grounded theory methodology, researchers are inherently attempting to build theory through the inductive process of identifying concepts, insights, relationships, and understanding from the actual data. The theory is grounded according to the extent that it is derived from and based upon the analyzed data.

Characteristics of Relational Exchange Phenomenon

As mentioned in Chapter One, this study defines a buyer-seller relationship as "the purposeful maintenance and enhancement of relational exchange and the development of future value for the benefit of participating firms through recognized perceptual and behavioral activities." This definition of a relationship entails four key characteristics:

1. The parties in the relationship knowingly and purposefully participate in relational exchange.
2. The parties to an exchange evaluate the relationship based upon previous exchanges and the potential of future exchanges.
3. Relationships are used by organizations to exchange value.
4. Relational exchange experiences incorporate both desired and received relationship value.

Research Design

In order to develop a holistic understanding of relationship development, maintenance, and dissolution, the research design addressed the relational value exchange phenomena from a dyadic perspective. A three-study research design (Figure 3-1) was developed as a means of incorporating both buyer and seller perspectives. This dissertation consists of the first and second studies in the research design, while the third and final study in the research design will begin immediately upon completion of the dissertation defense. Study One used grounded theory methodology to establish an understanding of relational value exchange from the buying organization's perspective. Study Two also utilized grounded theory methodology, but addressed the research

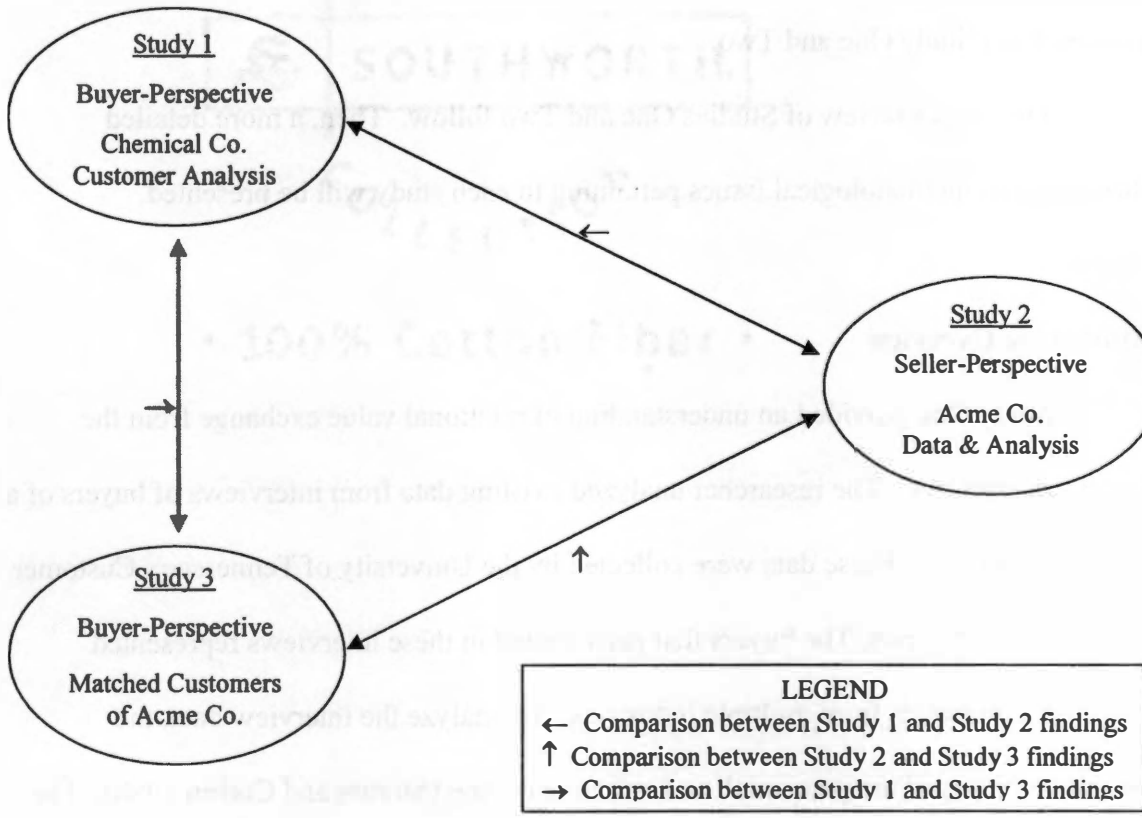

Figure 3-1: Research Design - Level I

question and objectives from the selling organization's perspective. A comparative analysis was performed to facilitate the integration of findings from Study One and Study Two. Study Three will follow up on Study Two by interviewing buyers of the seller providing the case for Study Two. This study will utilize a comparative analysis and grounded theory purposive sampling to explore key aspects of substantive theory that emerge from Study One and Two.

First, an overview of Studies One and Two follow. Then, a more detailed discussion of methodological issues pertaining to each study will be presented.

Study One Overview

Study One provided an understanding of relational value exchange from the buyer's perspective. The researcher analyzed existing data from interviews of buyers of a chemical supplier. These data were collected by the University of Tennessee's Customer Value Research Team The buyers that participated in these interviews represented customer companies from multiple industries. To analyze the interview data, the researcher engaged in open, axial, and selective coding (Strauss and Corbin 1998). The coding process yielded insights into relational value exchange as these buyer participants perceived it.

Study One took advantage of a quality set of data that had already been collected and was available to the author. This allowed the researcher to explore customer perspectives while only needing to collect data for Study Two.

Study Two Overview

Study Two shifted the focus of the dissertation research to a seller's perspective. In this study, the researcher explored how sellers understand the value of a buyer-seller relationship. The researcher collected data through in-depth interviews with members of a single organizational seller. The selling organization manufactures specialty consumer products and sells to retail businesses. To protect the identity of this company, the author will refer to them as Acme Co. throughout this dissertation.

Research Context

The industry context setting for Study Two was different from the setting in Study One (a seller of specialty retail products vs. customers of a chemical supply company). Table 3-1 provides a detail comparison of the research contexts in Study One and Study Two. These differences are broken down by industry, company, and participant characteristics. The primary difference in the research settings involved company differences. In Study One, participants were asked to reflect on relationships with Chemical Co. In Study Two, the research participants were employees of Acme Co. Characteristics of Acme Co. and Chemical Co. were compared to highlight the relationship context that was used in focusing the in-depth interviews in both studies.

Acme Co. is one of the largest manufacturers in their industry and supplies customers throughout the United States, Asia, and Europe. At the time of the data collection, Acme Co. was comprised of seven functional areas. Since the collection of the data, Acme Co. has eliminated the Finance and Administration Area. As shown in Figure 3-2, the researcher conducted interviews in six of the seven areas. The differences

Table 3-1: Characteristics of Research Contexts in Study One and Study Two

Industry Characteristics	**Study One – Chemical Mfg**	**Study Two – Acme Mfg**
Companies in SIC	1,610	3,950
Companies in NAICS	1,675	5,903
Total Employees	61,231	48,150
Total Capital Expend.	$1,478,137,000	$110,341,000
Total Value of Inventories	$4,886,798,000	$1,979,656,000
Company Characteristics	**Study One – Chemical Co.**	**Study Two – Acme Co.**
Company Type	Public	Private
Sales	$6,580 (mil)	N/A
Number of Employees	12,000	1,500
Market Presence	Largest Manufacturer in Industry	Largest Manufacturer in Industry
Location within Supply Chain	Manufacturer Selling to Manufacturers	Manufacturer Selling to Retailers
Reach of Supply Chain	Global	Global
Number of Primary Competitors	16	0
Number of Customers	Not Available	40,000
Type of Product	Plastic Raw Material – Commodity	Specialty Retail Product
Participant Characteristics	**Study One – Buyers**	**Study Two – Seller**
Affiliation with Company	Customers	Employees
Role in Business Relationship	Buyer	Seller

Source of Demographic Information (U.S. Census Bureau 2005)

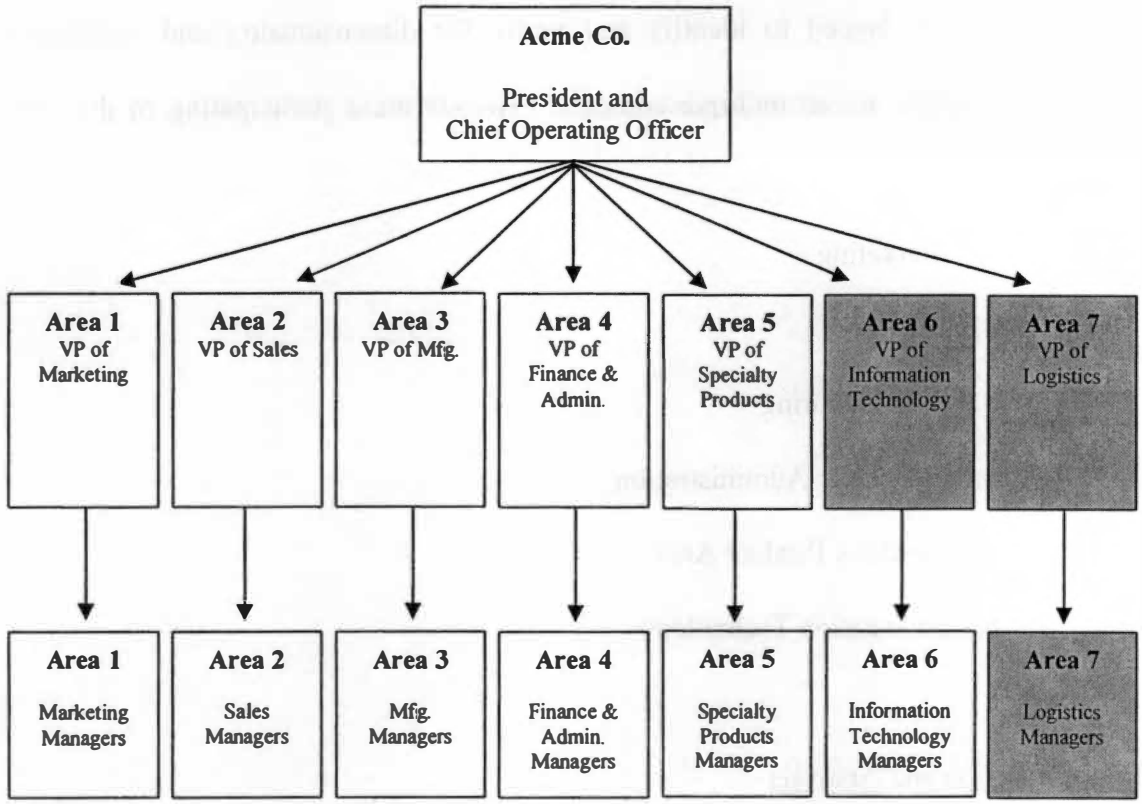

Figure 3-2: Research Design – Study Two

in these contexts helped to identify and verify the dimensionality and variation of emerging concepts across multiple contexts. The six areas participating in this study included:

1. Marketing
2. Sales
3. Manufacturing
4. Finance & Administration
5. Specialty Product Area
6. Information Technology

Data Collection and Analysis

Study Two was a single case involving a specialty retail product manufacturer. The researcher collected data through in-depth interviews. This research context was beneficial to these interviews because it enabled the researcher to discuss events and issues with Acme Co. employees in the same setting as the actual relationship interaction. Within Acme Co., interviews were conducted with the entire Senior Management Team and with employees of each functional area (Figure 3-2). Similar to Study One, the researcher performed a full grounded theory analysis (open, axial, and selective coding) of the seller data and developed a theory of relational value exchange that is unique to the selling perspective.

Comparison of Study One and Study Two

The comparison of findings from Study One and Study Two was conducted immediately after the Study Two data were analyzed. This analysis helped the researcher to identify similarities and differences in the combined data. The researcher compared the theoretical frameworks, concepts, and conceptual relationships from Study One and Study Two. During these comparisons, the researcher quantified the number of similarities and differences in each study.

First, the researcher compared the theoretical frameworks from Study One and Study Two. In this analysis, the researcher documented the number of concepts that were the same and the number of concepts that were different. Additionally, the researcher compared the relationships between theoretical concepts. The comparisons of theoretical concepts and conceptual relationships were particularly interesting because they involved areas of potential difference in the buyer's and seller's perspective of relational value exchange.

Second, the researcher compared the concepts that were present in both the buying and selling theories of relational value exchange. During data analysis, concepts were developed by grouping categories of instances into more general, conceptual classes. The comparison of concepts across buyer and seller perspectives helped to ensure the domain of theoretical concepts was adequately represented in the dyadic theory's conceptual definitions. As a means of making these comparisons, the researcher compared the conceptual definitions from each study, the dimensions (properties) of each concept, and the variability of the concept in different situations. The researcher

documented the comparison of concepts through frequency counts of similar and dissimilar dimensions and contextual variation.

The development and subsequent verification of a dyadic theory of relational value is contingent upon the evidence that exists within and across the buyer and seller theories developed in Study One and Two. Thus, the comparative analysis identified areas of similar and conflicting information. While similar meaning helps to verify the theoretical concepts and relationships, conflicting information helps to identify areas in need of further sampling. Likewise, further sampling is also needed to ensure the quality of findings that are unique to either buyers or sellers. The researcher documented the areas in need of further sampling and will address them in Study Three. The results of this comparative analysis are presented in Chapter Six.

The research design of this dissertation addresses both the buying and selling roles in business relationships. Study One focuses on the buyer's perspective while Study Two centers on the seller's perspective. The implementation of grounded theory in both studies is discussed in the following section.

General Guidelines of Grounded Theory

Though the implementation differs somewhat for each study, grounded theory offers specific guidelines for collecting and analyzing data. Flint (1998) clarified various decisions that are key elements of grounded theory. These decisions include: (1) selection of a phenomenon, (2) selection of the study's setting, (3) choose data sources, (4) objectivity and theoretical sensitivity, (5) theoretical sampling, (6) data analysis, and (7) assessment of trustworthiness. Decisions regarding the selection of the phenomenon

and the study's setting have been previously discussed in this dissertation and will not be further addressed in this Section. Tables 3-2 presents a summary of how this study addressed the various grounded theory activities. The trustworthiness of the research findings will be discussed at the end of this chapter. The following sections address methodological issues pertaining to both of the studies.

Methodological Issues Pertaining to This Dissertation

The grounded theory activities utilized in this dissertation were consistent across Study One and Study Two. This section presents a discussion of these methodological issues and will make comparisons across studies where necessary. The biggest difference in the implementation of grounded theory methodology across the studies is in the actual collection of data. As mentioned earlier, the data in Study One was collected by the University of Tennessee Customer Value Research Team. While the author did not participate in conducting these interviews, the data was collected through the same type of in-depth interviews used in Study Two. Each activity is described in the following sections.

Choose Data Sources

There are numerous qualitative techniques that one can employ when performing descriptive and exploratory research. Some of these techniques may include focus groups, personal document analysis, observation, biographical narratives, and in-depth interviews (Taylor and Bogdan 1998). In regards to grounded theory, Strauss and Corbin

Table 3-2: Implementation of Grounded Theory in This Dissertation

Activity	This Dissertation
Select Phenomenon	Why do firms engage in, maintain, or dissolve buyer-seller relationships?
Select Setting	Business-to-Business Buyers & Sellers Multiple Industries Specialty Retail Product (Acme Co.) Chemical (Chemical Co.)
Choose Data Sources	In-depth interviews Ethnographic (Grand Tour) Critical Incident Memoing
Memoing	During data collection, write memos concerning the intriguing respondent insights, body language, and observations. During coding, write memos regarding thoughts, questions, notes, diagrams, and relationships.
Enhance Objectivity and Theoretical Sensitivity	Comparative thinking Obtain multiple viewpoints of an event Step-back and ask questions Maintaining an attitude of skepticism Follow the research procedures Literature Review
Theoretical Sampling	Generate a list of companies in the selected industries Establish criteria to screen these companies Identify seller companies that may be willing to participate Establish criteria for selecting individuals in each company Contact companies and ask for participation Establish key customer contacts from each seller firm Contact key customers and conduct interviews Snowball Technique to identify other members of an organization in similar positions that may participate in the study Analyze the data from individual interviews to provide insight into theoretical categories that need to be explored in future interviews Continue sampling process until redundancy is attained
Data Analysis	Open Coding Conceptualizing - giving each incident/event a name Developing Categories - grouping concepts Axial Coding - build pieces of a theory by linking related categories Integration - combine axial codes into a theoretical framework
Management of Interviews	Audiotape interviews Professionally transcribe interviews Researcher will verify the quality of each transcription Begin analysis with the first transcript and proceed in chronological order. Part-to-whole comparisons Asking questions Memoing

specifically recommend researchers to use interviews, observation, videos, journals, memos, manuals, catalogs, and other forms of written or pictorial materials.

Across both studies, in-depth interviews were used as the primary method of data collection. The Customer Value Research Team at the University of Tennessee used in-depth interviews to collect the data analyzed in Study One. In Study Two, the principal researcher conducted all of the interviews.

Description of In-Depth Interviews

The use of in-depth interviewing generally involves the retrospective description of a phenomenon by a research participant. The recollection of past experiences and the participant's subsequent description of these experiences help to provide insight and holistic understanding of complex social events (McCracken 1988). The data from retrospective interviews provides insight into participants' memory structures regarding an event and insight into the future behavior of participants since people often base decisions on their memory of an event (Gardial et al. 1994; Lynch and Srull 1982; McCracken 1988). While the retrospective data are rich, they are also limited by the participant's ability to accurately recall an event. The difficulty in recalling past experiences can be reduced by focusing the respondent's attention on a particular event or scenario, by providing the respondent freedom to describe the event in their own words, and by guiding the interview into potentially important areas that are not initially addressed by the respondent (McCracken 1988; Strauss and Corbin 1998).

In Study Two, the principal researcher conducted all of the interviews. Utilizing a single researcher offered continuity across interviews and enabled the researcher to

effectively incorporate information from previous interviews into future interviews. A drawback of only using a single interviewer/researcher is that this study is limited to one perspective in the data analysis process.

The objective of the interviews in Study Two was to understand and explain the complexity of business relationships from the seller's perspective. These interviews were all conducted at Acme Co.'s corporate offices in Louisiana. The ideal interview location was the natural environment where Acme Co. employees interact with their clients. As was the case in Study One, all of the interviews in Study Two were conducted either in the participants' personal office or in a conference room.

The data collection process began by interviewing the President and Chief Operating Officer of Acme Co. This interview served as a foundation for identifying other members of Acme Co. that could provide additional insight into relational value exchange. The researcher conducted interviews, observation, and/or document analysis in each of Acme Co.'s functional units. The collection of data in this study continued until the researcher reached the point of theoretical saturation or the point where no new data is unearthed (Strauss and Corbin 1998).

Establishing Focus in the Interviews

A key task in managing the interviews is to position respondents so they can freely and comfortably share their knowledge of relational value exchange. Two areas that help create an ideal position are the degree of interview structure and the type of interview questions. Interview structure refers to the extent that questions and question ordering are expected to be followed during the interviews (Woodruff and Gardial 1996).

The structure can range from very rigid where questions are asked in a systematic manner to very flexible where interviews follow an unstructured agenda that does not have a predefined pattern of questions. The interviews in this study sought to exhaust the concepts involved in relational value exchange, so they were unstructured in nature.

The questions asked in the interviews represent keys that should open the door to a deep understanding of the phenomena under investigation. The questions asked during interviews depend upon the type of interviews that are used in a study. This study utilized a combination of grand tour and critical incident interviews. Grand tour is an ethnographic interviewing technique that seeks to understand the value within relationships by asking the participant to guide the interviewer through a specific relationship experience. The participant proceeds through their experience in much the same way as a tour guide would on a bus trip and the researcher behaves similar to a curious tourist in that they probe interesting details for deeper meaning and further insight (McCracken 1988; Woodruff and Gardial 1996). A grand tour interview in this study began with the following statement:

> Tell me about a typical encounter with your most important business customer. Begin with when you first think about them and walk me through what happens, step by step. I want you to tell me what you are doing, what is going on around you, what you are thinking about, and what you are feeling. No detail is insignificant.

Grand tour interviews were of particular interest in this study because, as Woodruff and Gardial (1996) explain, these types of questions tend to produce very rich information about the customer value hierarchies or for the purposes of this study, relationship value hierarchies. Understanding the relationship value structure from both buyer and seller

perspective was particularly important in understanding the drivers of relationships success and/or failure.

This study also used the critical incident technique to address emerging themes and/or opportunities during current or future interviews. These interviews differ from grand tour interviews in that they provided a specific direction into what type of experience the respondent should describe (Goodman 2001). Across the interviews, the research used critical incident questions which asked participants to (1) provide examples of customer interactions that were not successful, (2) describe or conceptualize customer relationships, and (3) compare and/or contrast actual terms the respondent mentions, like relationship vs. true partnership. While these questions were still open-ended, they were designed to elicit information which was more specific than the grand tour questions. Once these questions were answered, the interviewer used the respondents' words and terms to help set the course of the future questions. These types of questions were particularly useful in situations where the researcher needed further elaboration of themes, categories, and/or relationships.

Establishing the Specific Interview Guidelines

While the interviews remained relatively unstructured, it was necessary to establish a basic set of guidelines for managing the interview process. These guidelines focus on establishing rapport with the participants and the use of probes. A copy of the interview protocol that was used in this study is provided in Appendix A.

In establishing rapport, the researcher tried to create an atmosphere where the participants felt comfortable sharing their experiences. Several activities were used to

establish rapport with the participant. First, the interviewer expressed that the participant was the expert in this interview, that there are no right or wrong answers, and that their opinions, feelings, and ideas are valued and important. Second, the researcher addressed the confidentiality of the respondent's information at the beginning of the interview by asking each participant to sign a consent form that includes the purpose of the study, a request to audiotape the interview, the data analysis and protection process, and the participant's right to terminate the interview (Appendix B). Third, the researcher audiotaped and transcribed the interviews verbatim to preserve the integrity of each respondent's information. Finally, the interviewer tried to establish rapport by using the initial interview questions to place the respondent in the proper frame of mind. The interviews were relatively unstructured, so the researcher asked open-ended questions and made a conscious effort to not ask questions or use probes that could lead the participant in a specific direction.

The first questions had a big influence on the ultimate success of the interview. These questions were designed to be nonthreatening, on a topic that the participant is very familiar with, and easy to answer (Woodruff and Gardial 1996). To start an interview, the following questions were asked:

1. Please describe your position and responsibilities at Acme Co.
    a. How long have you been with Acme Co.?
    b. How long have you been in your current position?
2. Tell me about a typical encounter you have with your most important (alternate: least important) business customer.
3. Think back to the first meeting you had with your most/least important customer.
    a. When did this meeting occur?
    b. Tell me about what you're doing, what is going on around you, what you are thinking about, and what you are feeling.

These questions vary in the level of detail they seek to gather. If respondents appeared to have trouble with the general questions, more specific versions of these questions were used. A list of alternative questions follows:

1. What does value mean?
2. What does business relationship mean?
3. How does your firm evaluate business performance?
4. Tell me about a time when your organization depended on a customer or supplier.
5. Tell me about a time when you helped a customer/supplier succeed.
6. When doing business with another firm, what does your firm want to achieve?

The second element of the interview guidelines dealt with the use of probes during the interviews. The interviewer used probing questions to help unearth deeper understanding of a respondent's experience. These questions were also used to clarify and understand the salience and significance of a particular issue to the respondent. During the initial interviews, probing was used cautiously to ensure that the researcher did not interfere with the participant's description of their experience. The use of probes was gradually increased as themes and categories begin to emerge in the researcher's field memos.

As articulated by Flint (1998) and Woodruff and Gardial (1996), possible probes include:

- Following initial grand tour questions:
  - What was going on then?
  - What were you doing when that happened?
- Probes for clarification
  - Tell me more about that.
  - What does that mean?
  - When does that typically happen?
- Probes to explore higher levels of the value hierarchy

- Why is that important to you?
- What would happen if a supplier did not offer (value dimension)?
- Why does a good customer need to have (value dimension)?

- Probes for emotion
  - How did that make you feel?
  - What were you feeling when that happened?
  - Did that effect your feelings? If so, how?

One of the benefits of grounded theory is that it enables researchers to use the findings and insight from previous interviews to amend the guidelines and objectives of future interviews. With this in mind, the types of ethnographic and critical incident questions and the types of probes used in interviews were influenced by the researcher's memoing efforts.

Memoing

While analyzing the transcripts, the researcher actively engaged in the generation of research memos. Memos refer to the formal documentation the researcher's insights, observations, thoughts, and feelings in the form of written notes. Strauss and Corbin (1998, p. 217) identify the following three types of memos:

1. Code memos - "Memos containing the actual products of the three types of coding: open, axial, and selective."

2. Theoretical memos - "Sensitizing and summarizing memos that contain an analyst's thoughts and ideas about theoretical sampling and other issues."

3. Operational memos - "Memos containing procedural directions and reminders."

The researcher actively engaged in the generation of research memos. In both studies, the researcher utilized code, theoretical, and operational memos. The researcher also

supplemented these memos with diagrams depicting potential relationships among concepts.

The Balance between Objectivity and Theoretical Sensitivity

As the research instrument, the researcher has the delicate task of immersing oneself in the data while attempting to maintain a balance between objectivity and sensitivity. In this methodology, the analysis of data generally begins with the first interview or observation and then leads to the next interview and subsequent data analysis. Since the data in Study One was collected prior to the start of this dissertation, Study One will only involve the analysis of the existing data. However, the previous collection of Study One's data does not eliminate the researcher's challenge to balance objectivity and theoretical sensitivity.

During data analysis, the researcher interacted directly with data from both studies. This interplay between researcher and data ultimately helped the researcher to shape the data and to be personally shaped by the data. While doing so, it was important for the researcher to be objective and to arrive at impartial, yet accurate interpretations of the phenomenon. In addition to being objective, it was also important for the researcher to be sensitive to the subtle meanings and nuances in the data and to recognize the relationships between theoretical categories (Strauss and Corbin 1998). The combination of sensitivity and objectivity helped to provide the balance the researcher needed to properly analyze and develop theory.

Objectivity

In grounded theory, research objectivity is the researcher's willingness to listen and "give voice" to the study's respondents. This task pushes the researcher to listen to what participants have to say, observe the participants behavior, and represent the words and behaviors of participants in the most accurate manner possible. Additionally, being an objective researcher also requires one to recognize the impact that personal values, culture, education, and work experience may have on one's understanding of the phenomenon (Cheek 1996; Strauss and Corbin 1998). Strauss and Corbin (1998) present five techniques for helping researchers increase awareness and control the intrusion of bias into the analysis. These techniques include: (1) comparative thinking, (2) obtain multiple viewpoints of an event, (3) periodically stepping back, (4) maintaining an attitude of skepticism, and (5) follow the research procedures.

Comparative Thinking

The comparison of incidents within the data is a technique that is critical in the development of grounded theory. The constant comparison process helps to stimulate the researcher's thought processes by identifying the existence of unique properties and/or dimensions within the data. However, comparing incidents within the data does not prevent the intrusion of bias into the interpretations of the data. Thus, researchers may also turn to personal experiences or the extant literature to find examples of phenomena that can be used to make comparisons with the phenomenon under investigation (Strauss and Corbin 1998).

The act of making comparisons helps researchers to think about the unknown phenomena's properties and dimension and to gain some perspective that is needed when analyzing data (Strauss and Corbin 1998). In this study, the researcher actively compared incidents that occurred within the data and used the extant literature and personal experiences to make further comparisons. For example, the author confronted several vague terms while analyzing data in both studies. In Study One, buyers described true relationships. The author compared the term true in the research setting to the term true found in education and in particular in true-false questions. In thinking about true-false questions, true explains that a statement is correct or accurate in describing a certain subject. This helped the dissertation researcher to better understand the nature of true relationships. Similar to true-false questions, respondents recognized interactions with a supplier as true relationships when it accurate reflected their definition of a relationship. In Study Two, the author used comparative thinking to evaluate descriptive words like magic. The seller explained that customers tell Acme Co. that they perform magic. To assist in breaking down this consequence, the seller compared the magic of Acme Co. to the magic of Disney, to magician David Copperfield, and to Magic Johnson. Through these comparisons, the author determined that the magic created by Acme Co. was not smoke and mirrors or illusions. Customers described Acme Co. as performing magic because they could not comprehend how an order placed before 7:00 pm central time can be delivered 99.59% of the time before 10:00 am the next day. It is magical because it is beyond belief.

Multiple Viewpoints of an Event

The objectivity of a researcher is often hampered by the fact that events are described from only one viewpoint. This viewpoint may come in the form of one person's, one company's, or one industry's perception of a phenomenon. Essentially, the intrusion of bias is difficult to control when the data originate from a single source or a common viewpoint. Researchers can address this issue by including multiple viewpoints of an event. The inclusion of multiple perspectives helps one determine how various participant, companies, or industries view the phenomenon under investigation (Strauss and Corbin 1998).

Obtaining multiple viewpoints is a key attribute of this dissertation's research design and of both Study One and Two. The investigation of buyer-seller relationship development inherently involves phenomena that are difficult to understand. For instance, marketing research uses the concept of value in many different ways and has debated its definition for many years (Woodruff 1997). One of the difficulties in researching value is that the phenomenon is perceptual in nature and may differ depending on who describes it.

To deal with this issue, the research design incorporated studies on both the buyer and seller side of the relationship dyad. Study One incorporated the perspective of buyers from multiple companies. This study obtained multiple viewpoints by interviewing managers from several different management levels. Additionally, Study Two addressed the seller's perspective by interviewing managers from different organization levels and functional areas within a selling firms.

Stepping Back

As explained by Flint (1998) researchers must depend upon their own experiences and cognitive abilities to gain insight into what is really occurring in the phenomenon as shown in the data. To assist in this endeavor, it is important for researchers to periodically step back as ask herself/himself two key questions. "What is going on here?" "Does what I think I see fit the reality of the data?" The researcher in this study periodically asked the aforementioned questions to help manufacture the space necessary to think about the phenomenon and to form questions used in theoretical sampling. Stepping back was particularly useful in situations where multiple respondents seemed to be saying the same thing. For example, in Study Two the author continuously struggled with congruency amongst respondents and how they described certain situations. This was first identified during the data collection process and the author used memoing to help think through the question "What is going on here?"

Maintaining an Attitude of Skepticism

Researchers' efforts to remain objective during a study are supported by maintaining an attitude of skepticism. Skepticism asks researchers to view theoretical explanations, categories, hypotheses, and questions that are derived from the data, the literature, or personal experience as being provisional. The provisional label is removed once the explanations, categories, etc. are validated against data in future interviews or observations.

This dissertation expanded upon existing theory by investigating why and how business relationship are developed, maintained, and/or dissolved. In doing so, it was

very important for the researcher to maintain a skeptical attitude by rigorously validating explanations and categories throughout the analysis process. The researcher used the validation process to make sure categories and/or relationships in the extant literature were reflected in the refined theory of relational value exchange.

Following the Research Procedures

The guidelines of grounded theory presented in Figure 3-1 were developed by Strauss and Corbin (1990; 1998) and articulated by Flint (1998) to help reduce the intrusion of bias and to provide rigor to the study. As explained by Strauss and Corbin (1998), "although researchers may pick and choose among some of the analytic techniques that we offer, the procedures of making comparisons, asking questions, and sampling based on evolving theoretical concepts are essential features of the methodology" (p. 46). The implementation guidelines in Table 3-2 were followed in this dissertation.

Theoretical Sensitivity

Being sensitive to the data means having insight into, and being able to provide, meaning to events and instances that occur in the data. Theoretical sensitivity stems from the experiences and knowledge researchers bring to a particular study. It enables the researcher to move beyond the obvious nature of data and to view the data in new, undiscovered ways. The sensitivity of a researcher emerges as they begin working with data, making comparisons, and collect more data. The immersion of the researcher in the

alternating process of data collection and analysis helps prepare one's mind to recognize the subtle nuances and meanings that reside in the data.

Using the original work of Strauss and Corbin (1990), Flint (1998) explains that theoretical sensitivity should accomplish the following objectives:

1. steer the researcher's thinking out of the confines of literature and experience
2. help the researcher avoid standard ways of thinking about phenomenon
3. stimulate the inductive process
4. focus on what is before the researcher so that the data cannot be taken for granted
5. allow for clarification or debunking of assumptions made by the people who appear in the data
6. help the researcher to listen to what people are saying and what they can possibly mean
7. stop the researcher from rushing past diamonds in the rough
8. force the asking of questions and the giving of provisional answers
9. allow fruitful labeling, although provisionally
10. allow exploration or clarification of the possible meanings of concepts
11. discover properties and dimensions in the data (p. 64)

Two sources that can assist in the emergence of theoretical sensitivity include the extant literature and the researcher's professional experience. When coupled with the aforementioned objectivity, the knowledge gained from these two sources helps prepare researchers to understand the phenomenon under review. The dissertation researcher followed this procedure by using the literature as a source of insight and comparison in situations where categories need further development or verification. Existing research on relationship governance and development was particularly useful in the latter stages of data analysis when the author articulating the relationships between the categories and the core phenomenon.

Theoretical Sampling

Following grounded theory guidelines, this dissertation's sampling plan emerged during the research process. Because the objective of the study was to build theory, the methodology called for a sampling technique that would help focus the researcher's efforts on the areas of inquiry were important to the expansion and validation of the emerging theory. As explained by Strauss and Corbin (1998), grounded theory utilizes theoretical sampling "to maximize opportunities to compare events, incidents, or happenings to determine how a category varies in terms of its properties and dimensions." Theoretical sampling is cumulative in that each incident that is sampled derives from and adds to previously collected data and analyses.

Theoretical sampling is concerned with the representativeness of concepts and how they vary dimensionally. The representativeness of concepts within grounded theory leads researchers to sample concepts, ideas, and experiences. The implementation of theoretical sampling differs as a study progresses from open coding to axial coding and then to selective coding. The sampling techniques in these three coding stages are respectively titled (1) open sampling, (2) relational and variational sampling, and (3) discriminate sampling.

In open sampling, the selection of interviewees is relatively unstructured since no concepts have shown theoretical relevance. In this stage, researchers should be open to all possibilities during interviews and observations and should pursue opportunities that emerge during data collection. The emergence of theoretically relevant events provides justification for maintaining an open sampling plan, for not setting a tight data collection time frame, and for not establishing a predetermined list of people to interview. Open

sampling is largely dependent upon the researcher's ability to be sensitive to the data, to manage interviews, to observe the phenomena, to use probing questions during interviews, and to analyze the collected data.

In this study, the researcher used two primary techniques to apply open sampling. The techniques are as follows:

1. Identified persons, sites, or events where the researcher can purposefully gather data related to categories, their properties, and their dimensions.

   The researcher identified Acme Co. as a context where the relationships phenomena was present, secured permission to conduct the research in this company setting, and included managers from across organizational levels and functional areas in the sample.

2. Using the researcher's theoretical sensitivity, the researcher identified and probed theoretically significant events that arose unexpectedly during field interviews. In these instances, the researcher stepped back and asked "What is this, and what can it mean?"

   For example, numerous respondents attached descriptive terms to the relationship phenomena. In these situations, the researcher used probing questions to create opportunities for respondents to explain relationship descriptors like opaque, intimate, and symbiotic.

These two techniques enabled the researcher to follow themes and opportunities that arose during the data analysis process.

Relational and variational sampling occurs during axial coding where the aim of data analysis is to identify new categories in terms of their properties and dimensions, and also to identify relationships between categories and their subcategories. Given these objectives, researchers seek to sample specific incidents that demonstrate the dimensional range or variation of a concept as well as the relationship among concepts. Relational and variational sampling was particularly useful in uncovering conceptual meaning or relationships that were common and/or different across research participants. For

instance, the job responsibilities of interview participants at Acme Co. ranged from President and Chief Operating Officer to customer service managers. The differences in participants' job responsibilities provided different perspectives and conceptualizations of the relationship phenomena. At the upper levels of the organizations, the strategic nature of the organization was much more prevalent than it was at lower levels. To capture the variation in the phenomena, the researcher sampled interviews with lower level managers in marketing and in sales. In this type of situation, sampling helped the researcher to identify areas of congruence and variation that exist within the selling perspective. The sampling techniques introduced in open sampling were also applied in relational and variational sampling. In both studies, the author analyzed the entire transcripts of several interviews and then began sampled specific incidents within subsequent interviews that provided further insight into a category or a relationship between categories. A categorization of how interviews were sampled in each study is included in Chapter Four (buyer) and Chapter Five (seller).

During selective coding, researchers attempt to integrate the dimensional levels of categories to form a theory, validate the relationships among concepts, and refine underdeveloped categories. In this study, the researcher used discriminate sampling to select specific participants and/or situations that provided the best opportunity for comparative analyses. For instance, the researcher returned to previously analyzed interview transcripts to evaluate the presence of multiple categories when describing a specific situation. In Study One, the researcher used a memo to note the procedural nature of one's approach to supplier relationships. This memo directed the researcher to a specific transcript that provided further insight into how relationships can vary over

time. Additionally, the researcher used a follow-up interview with a specific research participant to further evaluate the process of managing the customer base in Study Two.

Specific Sampling Decisions Involved in Study Two

Since the author did not collect the data in Study One, there are several sampling decisions that are specific to Study Two. The setting of Study Two consisted of multiple functional units within Acme Co. Before engaging in the aforementioned open, relational and variational, and discriminate sampling techniques, the author had to make decisions regarding the unit of analysis, the criteria for selecting a company to serve as a research context, and the criteria for selecting respondents within this research setting.

Unit of Analysis

The unit of analysis in this study was the selling organization's perspective. While focusing on the relational value exchange between buying and selling organizations, the organizational perceptions of these interactions differed across individuals in the organization. These differences were critical to the development of theoretical categories and relationships. The initial interviews were conducted with senior level executives. These interviews were used to determine who within the organization should be interviewed in future interviews.

A Pragmatic Issue of Selecting Individuals

The sampling of categories and relationships was driven by the data collection and analysis process. Ideally, the second interview will be driven by the analysis of the

first interview; the third interview will be driven by the analysis of the second interview, and so on until theoretical saturation is attained. While this system may lead to the most effective data analysis and sampling processes, it was difficult to follow during the research process.

In Study Two the researcher faced the task of collecting data from multiple respondents within a single company. From an economic and a time standpoint, it was simply unrealistic to schedule one interview, visit the respondent's location, transcribe the data, analyze the transcript, and then schedule a second interview at the same location or a location within close proximity of the first location (Flint 1998).

To address this issue, the researcher began by selecting a key individual (President and Chief Operating Officer) within the organization. The researcher contacted this person and scheduled an interview. Once the interview was scheduled, the researcher used a snowballing technique and asked the initial respondent to identify other employees that represent their company in relationships with buying organizations. The President of Acme Co. identified the entire Senior Management Team as potential respondents. The Senior Management Team included the Vice Presidents of Acme Co.'s seven functional areas. At the end of each interview with a Vice President, the researcher asked each respondent to identify three employees in their functional unit who represent Acme Co. in relationships with buying organizations. The researcher conducted interviews in six of Acme Co.'s seven functional units.

Criteria for Selecting Companies Within the Specialty Retail Product Industry

The criteria for selecting companies across all industries included (Flint 1998):

1. Presence of buyer-seller relationships - Does it appear that this company is conducting business through relationships with their customers/suppliers?

   Approximately one year before the dissertation proposal, the researcher arranged a meeting with the Vice President of Finance and Administration to discuss business relationships. At the time of this meeting, this research question and objectives driving this dissertation were not established. This meeting identified Acme Co.'s involvement in relationships with customer organizations.

2. Explicit statement - Has the company explicitly stated that they seek to develop long-term relationships with customers/suppliers?

   While meeting with the VP of Finance and Administration, he called in the VP of Marketing to further explain the importance of relationships with its customer base.

3. Willingness to participate - Would this company be willing to participate in this study?

   After establishing the focus of this dissertation, the author arranged a meeting with the President/COO and asked Acme Co. to participate in this study. Acme Co. agreed to participate.

Criteria for Selecting Respondents

The criteria for selecting individuals within Acme Co. included (Flint 1998):

1. Key player - Is this person recognized as a key individual in the firm's initiatives to develop and maintain relationships with customers/suppliers?

   The author started the interview process at the top of the organization with the President/COO. It is important to note that the President has a Ph.D. in Economics and is a former business academic. After interviewing the President, the author asked him to help identify a key player within the organization that actively participated in Acme Co.'s relationship initiatives. He explained that the integrative nature of the organization's value chain made every member of the Senior Executive Team and specific employees reporting to them key players.

2. Identified by respondent - Was this person identified by a respondent as someone who represents their company in relationships with buying organizations?

The author used a snowball technique with the President to identify members of the Senior Executive Team. At the end of interviews with the Vice Presidents, the snowball technique was used identify individuals, within their functional area, that were actively involved in business relationships with customers.

3. Theoretical understanding - Is this person crucial to understanding some aspect of the emerging theory?

   The data collection process started at the top of the organization and then worked its way down into the functional areas. The researcher used both grand tour and critical incident questions in each interview. Over time, the nature of the interviews began focusing on the emerging themes and the expertise of each participant. For instance, interviews with the Senior Executive Team seemed to revolve around larger or more strategic issues confronting the entire organizations. These respondents could articulate the influence of manufacturing on Sales and on Marketing. As the researcher moved in specific functional areas, the interviews began to focus more on the role of the function and its perception of relationships with customers. The depth of understanding within the functional areas played a key role in supporting the larger process of managing the customer base.

4. Diversity - As a set, the respondents should be diverse in regards to job types and job level.

   This dissertation involved respondents on multiple managerial levels and from six different functional areas.

5. Willingness to participate - Is this person willing to participate in this study?

   Prior to each interview, the researcher asked each participant to sign an informed consent form. This form asked each employee if they agree to participate, described the nature of the interview, detailed how the data would be protected, and explicitly stated that the participant could terminate the interview at any time.

Data Analysis

Grounded theory seeks to build theory from data. Under this methodology, the collection and analysis of data are performed simultaneously as the researcher seeks to gain understanding of the phenomena. In keeping with the objective to let the theory emerge from the collected data, it is only natural that the analysis of data occurs in an

evolutionary process. Within grounded theory, data analysis occurs in three steps called open coding, axial coding, and selective coding. Before describing each of these steps in detail, it is necessary to discuss two key activities that occur during the entire data analysis process. These activities are "making comparisons" and "asking oneself questions."

Making Comparisons

The emergence of theory in the data analysis process is largely due to the researcher's efforts to make comparisons between events or issues within transcripts and across transcripts. In grounded theory, researchers use comparative analysis to help unearth new meaning in terms of properties, categories, concepts, and theories. During this process, initial interpretations and categories are compared with new data to determine if the concept under investigation is representative of a previously identified concept or if it represents a new concept. The comparative analysis occurs at both the property/dimensional level and at the theoretical level. At the property and dimensional levels, comparisons may provide insight into the similarities and dissimilarities of the phenomenon under review and the world around them. The properties of one object are compared to the properties of another object in order to classify the presence or absence of various items. At the theoretical level, researchers identify a phenomenon's various properties and then compare these properties to similar phenomena that occur in different situations or under different constraints. The objective is not to classify the properties, but to build theory through the identification of relationships between the phenomenon and its environment.

Asking Oneself Questions

The analysis of data in grounded theory is dependent upon the researcher's ability and effectiveness in asking himself/herself questions. The questions provide a stimulus for further investigation. As a researcher combs through the data, he/she will ask questions such as "What is going on here?" or "How is this similar to what I have seen before?" These questions provide researchers with insight into future areas of theoretical sampling and help guide the future data collection and/or analysis initiatives of the study.

There are three particular types of questions that are particularly relevant during data analysis. First, sensitizing questions help to acclimate the researcher with what the data may be saying. Examples of sensitizing questions are as follows: What is going on here? Who are the actors involved? How do they define the situation? What is its meaning to them? What are the various actors doing? Are their definitions and meanings the same or different? When, how, and with what consequences are they acting, and how are these the same or different for various actors and various situations? (Strauss and Corbin 1998)

Second, theoretical questions help the researcher see processes, variations, and to identify linkages among concepts. Theoretical questions that may be used include: What is the relationship of one concept to another? How do two concepts compare and relate at the property and dimensional levels? What would happen if...? How do events and actions change over time? What are the larger structural issues here, and how do these events affect what I am seeing or hearing?

Finally, practical and structural questions seek to provide direction for theoretical sampling and to assist with the development of the evolving theory's structure. Examples of these questions include: Which concepts are well developed and which are not? Where, when, and how do I proceed next to gather the data for my evolving theory? What types of permission do I need? How long will it take? Is my developing theory logical? Where are the breaks in logic? Have I reached a saturation point?

The principal researcher used all three of these types of questions during this study.

Open Coding

The data analysis process begins with open coding. This is the "analytic process through which concepts are identified and their properties and dimensions are discovered" (Strauss and Corbin 1998, p. 101). Essentially, researchers in open coding seek to name events or things observed in the data and then seek to focus their attention on understanding the characteristics that make this event or thing unique. Two key activities of open coding in need of further explanation are conceptualizing and categorization.

Conceptualizing

The first step in theory development is conceptualizing. This refers to the researcher's effort to delve deep into an observation, a sentence, a paragraph, or a page and give each incident, idea, or event a name. The purpose behind naming phenomena is to assist researchers in grouping similar events, ideas, or incidents under a common

heading or classification. The names that are given to phenomena should be provisionally accepted because they may undergo changes or modifications as more observations are analyzed. The critical issue at play during conceptualization is that the phenomena are named immediately. Similar phenomena should be given similar names.

The phenomena that are given names or labeled are called concepts and they represent the building blocks of theory. Concepts represent phenomena that can often be described by recognizable properties, such as size, shape, and weight. However, some concepts may represent intangible phenomena or mental constructs that do not have physical properties. In these cases, the phenomena may be classified by identifying the action that is taken with regard to the phenomena. For instance, action based concepts from the relationship marketing literature may include "believing our partner will help us," "making sacrifices to help each other," and "considering each other's interests." It is important to note that the names given to concepts should be clear enough for the researcher to remember and should be elaborated upon in memos.

Categorization

Once the data has been opened and concepts have begun to emerge, researchers should begin to look for instances where concepts can be grouped into categories. As explained by Strauss and Corbin (1998), researchers may identify certain concepts that can be grouped into a "more abstract higher order concept, based on its ability to explain what is going on" (p. 113). For instance, the three concepts presented earlier, "believing our partner will help us," "making sacrifices to help each other," and "considering each other's interests," may be grouped in a category named "trust."

Once a category is identified, the researcher's focus should shift to understanding the specific properties and dimensions of the category. The properties of a category represent the general or specific characteristics that combine to identify the category. With a category like trust, one may explore its properties by asking questions like who, what, when, how, how long, and why? Additionally, it is important to understand the variation of specific properties. This variation indicates properties may vary along a continuum or range. For example, in exploring trust, the length of time that one trusts another firm may vary. This variation may describe a time dimension that extends from prospective client to long-term, strategic partner. The concept of trust should change incrementally as one moves along the time dimension.

Ways of Conducting Open Coding

There are three primary ways of performing open coding. First, one can engage in line-by-line analysis. In this case, the researcher focuses on the examination of data through phrase by phrase and/or word by word microanalysis. While this is the most time consuming coding practice, it is also the most effective way to generate categories quickly and to generate basis for further theoretical sampling. This practice will be effective for evaluating interview transcripts and relationship oriented documents. In regards to observation data, the memos describing the actual events can be evaluated line-by-line. Second, coding may occur on a sentence or paragraph level. During this coding practice, researchers ask "What is the major idea brought out in this sentence or paragraph?" The understanding of a broader idea will then enable the researcher to perform a more detailed analysis of that concept. Sentence and/or paragraph level coding

can be especially effective in analyzing interview transcripts, existing documents, and observation memos. The third coding method seeks to attain a holistic understanding by analyzing the entire document. With a general understanding of the entire document, the researcher is then able to break down the document and begin making comparisons of specific parts to the overall transcript. Additionally, an overall evaluation of observation memos can be compared to the researcher's recollection or mental image of the phenomena being observed.

In this study, the researcher began open coding by reading each interview transcript in entirety several times to establish an overall understanding. Next, pieces of each transcript were read and compared against the entire transcript/overall understanding. This step was followed by microanalysis on individual word, phrase, sentence, and paragraph levels. Essentially, the researcher tried to attain a holistic understanding of each transcript.

Axial Coding

The purpose of axial coding is to begin the process of piecing previously fractured data back together. As explained by Strauss and Corbing (1998), "axial coding is the act of relating categories to subcategories along the lines of their properties and dimensions" (p. 124). These relationships help to build relationships between the phenomenon (category) and answers to questions about the phenomenon (subcategories) like when, where, why, who, how, and with what consequences. For example, in analyzing buyer-seller relationship data, the researcher may identify an association between the categories

of trust and environmental uncertainty. The relationship between these two categories may help explain why firms develop relationships with certain partners.

To assist in axial coding, the researcher utilized Strauss and Corbin's (1998) paradigm model during the analysis. The paradigm model focuses on the following three analytical components: (1) conditions, (2) actions/interactions, and (3) consequences. Conditions are sets of events that create issues, situations, and problems pertaining to a given phenomenon. To a certain extent, these conditions help to explain how people or organizations respond in a particular situation.

There are three key types of conditions in grounded theory. First, causal conditions represent events or happenings that directly influence the category or phenomena. Second, intervening conditions are events that mitigate or influence the cause conditions on categories. For example, the decision to select a specific buyer may be influenced by the development of an unexpected event like an alternative offer from a different buyer. Finally, contextual conditions are patterns of conditions that combine at a specific place and time to create a set of circumstances to which people or organizations must respond. For instance, when evaluating the switching behavior of buyers, the "availability of alternative supply" is a contextual condition that ranges from high to low and that may help explain the frequency or pattern of switching behavior. The conditions identified in the data then call the researcher to investigate the responses that are made by individuals to these conditions.

To uncover the respondents' responses to various conditions, researchers generally ask questions such as "Who is responding?" and "How are they responding?" These questions help to identify actions/interactions made by individuals or organizations

to events, issues, problems, or happenings that occur under certain conditions. These actions/interactions may take place on a strategic level, where the response is deliberate and seek to resolve the problem by influencing the phenomenon, or on a tactical level, where the response is a more routine, standard operating procedure.

The understanding of actions/interactions enables researchers to further analyze data by asking questions that pertain to the outcomes of these actions/interactions. Consequences are often uncovered by focusing questions on what happens or does not happen as a result of a particular action/interaction. Additionally, it is important to include consequences that occur as the result of inaction or the failure of a person or organization to respond to an event or problem.

Essentially, axial coding seeks to add depth and structure to a category by developing links between the core phenomenon (axis) and its categories. These relationships should demonstrate empirical evidence of causal conditions, intervening conditions, contextual conditions, action/interaction strategies and tactics, and consequences. The further development of categories and subcategories in axial coding is equivalent to the development and refinement of key theoretical constructs. These constructs represent pieces of the emerging overall theory.

Selective Coding

While open and axial coding provide the building blocks of theory, they do not provide the larger framework of relationships that represent the overall theory. In open coding, the researcher seeks to generate categories and properties before ultimately determining how categories vary dimensionally. In axial coding, the researcher

systematically develops and links categories with sub-categories. Selective coding builds upon the first two coding stages by integrating and refining categories into a theoretical framework. In integration, categories are organized around a central or core phenomenon. The core phenomenon is an overarching category that serves as the trunk of the theoretical framework. Major categories, which can be viewed as subcategories of the core, are then linked to the core phenomenon through explanatory statements. Once the overall theory was presented, the researcher refined the theory by eliminating excess categories and by expanding upon poorly developed categories. The final step of selective coding involved the validation of the theory. The validation occurred by comparing the theory to raw data.

Assessing the Quality of the Data and Interpretations

The research design and methodology of this dissertation are designed to provide data and interpretation that are trustworthy and appropriate for the evaluation of buyer-seller relationships. The criteria for assessing the adequacy of the research processes and the quality of data and interpretations in Study One and Study Two are summarized in Tables 3-3 and 3-4 respectively. The criteria used to assess the trustworthiness of the data and interpretations are a combination of criteria used for evaluating intepretivist research and for assessing the trustworthiness of grounded theory (Flint et al. 2002). The interpretivist research criteria include credibility, transferability, dependability, confirmability, and integrity (Lincoln and Guba 1985). The criteria from grounded theory include fit, understanding, generality, and control (Strauss and Corbin 1990). As

Table 3-3: Assessing the Trustworthiness of Study and Findings - Study One

Criteria	Method for Addressing in Study One
Credibility The extent to which the results appear to be acceptable representations of the data.	• Four members of UT Customer Value Research Team (not author) conducted the interviews. • Two committee members gave input during data interpretation. • Audit – Dissertation chair reviewed several interview manuscripts and evaluated the author's interpretations. • Result: Interpretations were expanded and refined.
Transferability The extent to which findings from one study in one context will apply to other contexts.	• Theoretical Sampling • Result: Theoretical concepts were represented by data from all participants in this study.
Dependability The extent to which the findings are unique to time and place; the stability or consistency of explanations.	• In interviews, participants reflected on their current and previous experiences with the relationship phenomena. • Result: Identified consistency across research participants regardless of when the experience occurred. • Age of data: Data analyzed is 10 years old. Data represents a cross-sectional view of buyer-seller relationships at one point in time. All data was collected at the same time; each respondent was only interviewed once.
Confirmability The extent to which interpretations are the result of the participants and the phenomenon as opposed to researcher bias.	• Audit – Dissertation chair reviewed multiple interview manuscripts and evaluated the author's interpretations. • Result: Interpretations were expanded and refined.
Integrity The extent to which interpretations are influenced by misinformation or evasions by participants.	• Interviews were professional, anonymous, and of a nonthreatening nature. • Result: No evidence that participants were trying to evade the issues being discussed.
Fit The extent to which findings fit with the substantive area under investigation.	• Addressed through the methods used to address credibility, dependability, and confirmability. • Result: Categories were refined and the theoretical integration was made more fluid and less linear. Theory moved away from direct, cause-effect relationships and toward a theory that captured the variation and dynamic nature of relationship development.
Understanding The extent to which participants buy into results as possible representations of their world.	• Given the age of the data and the researcher's lack of involvement in the data collection process, participants were not contacted to review the results.
Generality The extent to which findings discover multiple aspects of the phenomenon.	• Interviews were of sufficient length and openness to address the complex nature of the phenomenon. • Interviews were conducted in eight different buying companies. • Result: Multiple aspects of the phenomenon were captured.
Control The extent to which organizations can influence aspects of the theory.	• Some variables within the theory are within areas which participants/selling firms would have some degree of control. • Result: Participants and selling firms can influence Approach to Supplier Relationships.

Adapted from Flint et. al. (2002).

Table 3-4: Assessing the Trustworthiness of Study and Findings – Study Two

Criteria	Study Two
Credibility The extent to which the results appear to be acceptable representations of the data.	• Four months conducting interviews. • One committee member gave input during data collection and analysis. • Audit – Dissertation committee member reviewed several interview manuscripts and evaluated the author's interpretations. • Participant Reinterview – Researcher reinterviewed one participant to further refine theoretical integration. • Result: Interpretations were expanded and refined.
Transferability The extent to which findings from one study in one context will apply to other contexts.	• Theoretical Sampling • Result: Theoretical concepts were represented by data from all participants in this study.
Dependability The extent to which the findings are unique to time and place; the stability or consistency of explanations.	• In interviews, participants reflected on their current and previous experiences with the relationship phenomena. • Result: Identified consistency across research participants regardless of when the experience occurred.
Confirmability The extent to which interpretations are the result of the participants and the phenomenon as opposed to researcher bias.	• Audit – Dissertation committee member reviewed multiple interview manuscripts and evaluated the author's interpretations. • Member Check – the researcher provided an overview of Managing the Customer base to a second participant. • Result: Interpretations were expanded and refined.
Integrity The extent to which interpretations are influenced by misinformation or evasions by participants.	• Interviews were professional, anonymous, and of a nonthreatening nature. • Result: No evidence that participants were trying to evade the issues being discussed.
Fit The extent to which findings fit with the substantive area under investigation.	• Addressed through the methods used to address credibility, dependability, and confirmability. • Result: Categories were refined and the theoretical integration was made more fluid and less linear. Theory moved away from direct, cause-effect relationships and toward a theory that captured the variation and dynamic nature of relationship development.
Understanding The extent to which participants buy into results as possible representations of their world.	• Member checks - Presented the researchers findings to two research participants. • Result: participants bought into the findings.
Generality The extent to which findings discover multiple aspects of the phenomenon.	• Interviews were of sufficient length and openness to address the complex nature of the phenomenon. • Conducted multiple interviews within a selling company. • Conducted interviews across organization levels and functional areas. • Result: Multiple aspects of the phenomenon were captured.
Control The extent to which organizations can influence aspects of the theory.	• Some variables within the theory are within areas which participants/selling firms would have some degree of control. • Result: Participants and selling firms can influence Approach to Supplier Relationships.

Adapted from Flint et. al. (2002).

shown in this table, the dissertation employed a number of criteria to check on the trustworthiness of the data and the interpretive results.

CHAPTER FOUR

STUDY ONE - BUYER'S PERSPECTIVE

Chapter Outline

This chapter presents interpretations of 20 in-depth interviews with executives from eight different buying organizations. As mentioned in Chapter Three, the University of Tennessee Customer Value Research Team conducted these interviews. The interviews were designed to investigate relationships between buying firms and their suppliers as perceived by managers in buying organizations. Although the author of this dissertation did not collect these specific data, the overall research question of "How do buying organizations approach opportunities to develop, maintain, and/or dissolve buyer-seller relationships with supply organizations?" and the subsequent research objectives (see p. 27 – Ch. 1) to direct the data analysis were applicable for use with this data set. As explained in Chapter Three, the emerging themes in this study shifted the focus of the initial research questions from "why" and to "how." While the primary focus is on "how" companies approach relationships, the study still addressed "why" buyers develop, maintain, and/or dissolve buyer-seller relationships.

This chapter begins by outlining the interpretation process. The second section provides a description of the 20 study participants. The third section presents an overview of the theory's core phenomenon, *Approach to Supplier Relationships*, and its relevant subcategories. The fourth section of this chapter discusses the procedural nature of approaching supplier relationships. Presented in this discussion are the relationships amongst categories used by participants (buyers) to interpret and give meaning to events

involved in doing business with supplier organizations. The fifth section introduces the category of *Recognizing Relational Catalysts.* While located outside of the core phenomenon, relational catalysts provide a stimulus for addressing the manner (process) in which a buyer approaches supplier organizations. The sixth section will focus on the evolving nature of approaching supplier relationships. In particular, the dissertation researcher will utilize the relationship between relational catalysts and the *Approach to Supplier Relationships* in describing variation associated with the process as it occurs over an extended period of time. Throughout the chapter, the processes and relevant categories are supported by dialogue from the participants' interview transcripts. This chapter concludes with a summary of the research findings.

Interpreting the Research Findings

The primary source of data in this study was the 20 interviews with executives from eight different buying organizations. The analysis of these interview transcripts enabled the researcher to construct concepts that have been integrated into a deeper understanding of how buying organizations develop, maintain, or dissolve buyer-seller relationships. Each concept is described and supported by text from the participant interviews. To illustrate the context within which the concept was developed, quotes from transcripts may include lead-in comments, as well as follow-up comments by a participant that are beyond the reference of the focal concept. It is important to note that a particular quote may contain reference to more than one concept. For this reason, readers may notice some overlap between quotes used for different concepts.

During data collection, grand tour interviews were used as a means for asking participants open-ended questions about their experiences with supplier relationships. As explained in Chapter Three, grand tour is an ethnographic interviewing technique that, as used in this study, seeks to understand the how buyers develop, maintain, and/or dissolve supplier relationships by asking the participant to guide the interviewer through a specific relationship experience. The use of open-ended questions enabled the participants to provide richer and deeper information regarding experiences with supplier relationships. With the freedom to guide the interview, a participant's discussion of one event would periodically trigger the recollection of other experiences and ultimately influence their description of these experiences. Furthermore, participants would often shift their discussion from relationship-related events that have happened in the past to similar events they would like to have happen in the future. Given the dynamic nature of the participants' experiences, the researcher approached these transitions as separate and distinct ideas.

As a means of exploring emerging themes and/or opportunities for conceptual clarification, data was also collected through the use of the critical incident technique. While conducting the grand tour interview, the interviewers asked specific questions in situations where further elaboration of themes, categories, and/or relationships was needed. These questions differed from the previously used open-ended questions in that they provided a specific direction into what type of experience the respondent should describe.

The Research Participants

Sampling within Study One began with the selection of participants from a database of in-depth interviews collected by the UT Customer Value Research Team. These interviews were with executives of firms that bought two different products (PET and PMBO) from Eastman Chemical Company. As the study progressed, the researcher used theoretical sampling to select participants that could provide specific insight into underdeveloped issues that arose during the analysis process.

Overall, the researcher analyzed 20 verbatim interview transcripts (Table 4-1). During the analysis process, the researcher reached a point of redundancy on the key categories after analyzing nine interviews. After analyzing the initial nine interviews, questions remained regarding the core phenomenon, relational approach. To ensure saturation, the researcher analyzed three additional interviews while considering all of the major categories and the core phenomenon. Within these three interviews, theoretical sampling was specifically focused on questions surrounding the evolving nature of buyer-seller relationships. Finally, the research utilized NVivo's search option to theoretically sample key categories in an additional eight interviews.

The 20 interviews used in this study were selected from an interview database consisting of 24 interviews. The database included executives from companies that buy two different Eastman Chemical products. The first product was PET, which is a commodity type product. PET is a plastic resin used in the manufacturing of plastic containers like bottles and bowls. The 12 interviews with PET buyers were conducted by three different researchers and involved executives from six different companies. The 12 PET buyers held a variety of positions within their companies. The participants'

Table 4-1: Research Participants in Study One - Buyer's Perspective

Analysis Order	Product	Respondent Alias	Organization (Buyer)	Interviewer
1	PMBO	Linda	Lincoln	Mike
2	PET	Paul	Columbia	Sarah
3	PET	John	Newport Inc.	Dan
4	PET	George	Laredo Corp.	Dan
5	PMBO	Eric	Barbara Ltd.	Mike
6	PET	Steve	Columbia	Sarah
7	PET	Annie	Columbia	Dan
8	PET	Keith	CES Chemical	Sarah
9	PMBO	Ron	Bayou-Chem	Mike
10	PET	Mick	Secon	Dan
11	PET	Bill	CES Chemical	Sarah
12	PET	Charlie	Secon	Dan
Interviews Theoretically Sampled for Key Categories Using the NVivo Search Function				
13	PMBO	Robert	Lincoln	Mike
14	PET	Jimmy	Columbia	Dan
15	PMBO	Elton	Wellman	Mike
16	PMBO	Gordon	Barbara Ltd.	Bob
17	PET	David	Laredo Corp.	Dan
18	PMBO	Roger	Lincoln	Mike
19	PET	Pete	Columbia	Sarah
20	PMBO	Phil	Bayou-Chem	Mike

positions covered multiple organizational levels and ranged from Company President to Quality Manager. Within this group of PET buyers, the researcher selected and analyzed nine interviews.

The second product was PMBO, which is a specialty type product. PMBO is an optical brightener and is used by fabric mills to brighten the color of finished fabric. This study included the analysis of eight (8) interviews with buyers of PMBO. The eight participants were from four different companies, and the participants spanned multiple organizational levels. Two members of the Customer Value Research Team conducted the interviews with buyers of PMBO.

As a starting point for selecting participants, the interviewer selected single interviews from five different companies. Of the initial five participants, three were buyers of PET and two were buyers of PMBO. After analyzing the five interviews, the researcher then selected the other seven participants, one at a time, for theoretical sampling reasons. In particular, the research sought interviews which discussed the emerging core phenomenon of approach, the recognition of relational catalysts, and the relationship between recognizing catalysts and approaching supplier relationships. The next seven interviews included six PET buyers and one PMBO buyer. Because multiple researchers were involved in the collection of this data, the researcher selected participants that were interviewed by different researchers as a way of reducing the threat of interviewer bias. Three different interviewers gathered the initial 12 interviews analyzed in this study. Finally, the researcher utilized NVivo's search function to scan the remaining twelve interviews in the data set. Given the key categories used in the

search process, eight of the remaining 12 interviews were then introduced into this study's sample.

Core Phenomenon – Approach to Supplier Relationships

Today's buying organizations are continuously faced with the challenge of balancing the principles of their business philosophy with the demands of dynamic business markets. Throughout this study, buyers described a philosophy for developing relationships with supplier organizations. It is in this philosophy that buyers described an assimilation of ideas and beliefs regarding how they would like to engage in relationships with suppliers.

> Ron:
> The basic *philosophy*...has been to...develop a good, stable source of supply, and to work with those firms...[that] have maintained our costs at a reasonable level.
>
> *Our philosophy being, if our suppliers do not make a fair profit - they're not going to be a good supplier*....If you're losing money or it's not a good account, I'm not going to service it. I'm not going to from a technical aspect or even a logistical aspect. So we felt that we could probably work with our suppliers and maintain costs more effectively if we maintain relationships with specific suppliers (Para 59).

While this philosophy represents the buyer's long-term purpose or intent (Cravens and Piercy 2006), it does not prescribe specific action a buyer should take when engaging a specific supplier, under specific situational circumstances.

The demands of business situations/circumstances lead firms to develop a process for adapting their philosophy to the requirements of the situation. In essence, the buyer's philosophy regarding business relationships needs to be operationalized in order for it to be effective in guiding organizational behavior. This operationalization of the

relationship philosophy is the core phenomenon of this study and is labeled *approach to supplier relationships. Approach to supplier relationships* is defined as the process of engaging in relational behavior with supplier organizations for the purpose of addressing specific situations or events.

As the core phenomenon, *approach to supplier relationship* is the central idea main theme of this research. The core phenomenon in this study is a process which draws relationships between the four categories and the central idea. Categories are defined as concepts that stand for phenomena. Each category is supported by relevant properties or characteristics which help define the category. As shown in Figure 4-1, a buyer's *approach* is a process involving the categories of (1) leverage relational values, (2) set relationship expectations, (3) establish relational routines, and (4) evaluate relationship value. These categories represent the inner circle within the core phenomenon framework and the properties of each category are located within the outer circle. The core phenomenon of *approach* is a process firms utilize to organize and coordinate the organization's efforts in establishing, maintaining, and/or dissolving relationships with supply organizations. *Approach to supplier relationships* focuses on the overt action firms engage in when preparing for, engaging in, and/or dissolving relationships with a supplier organization. The following two excerpts describe *approach* as the procedure used in planning for and/or engaging in interaction with a supplier organization.

> Ron:
> They [specific supplier] would be the firms that *we would initially approach.* They are the ones we are comfortable with, that our technology is based on…(Para 239).

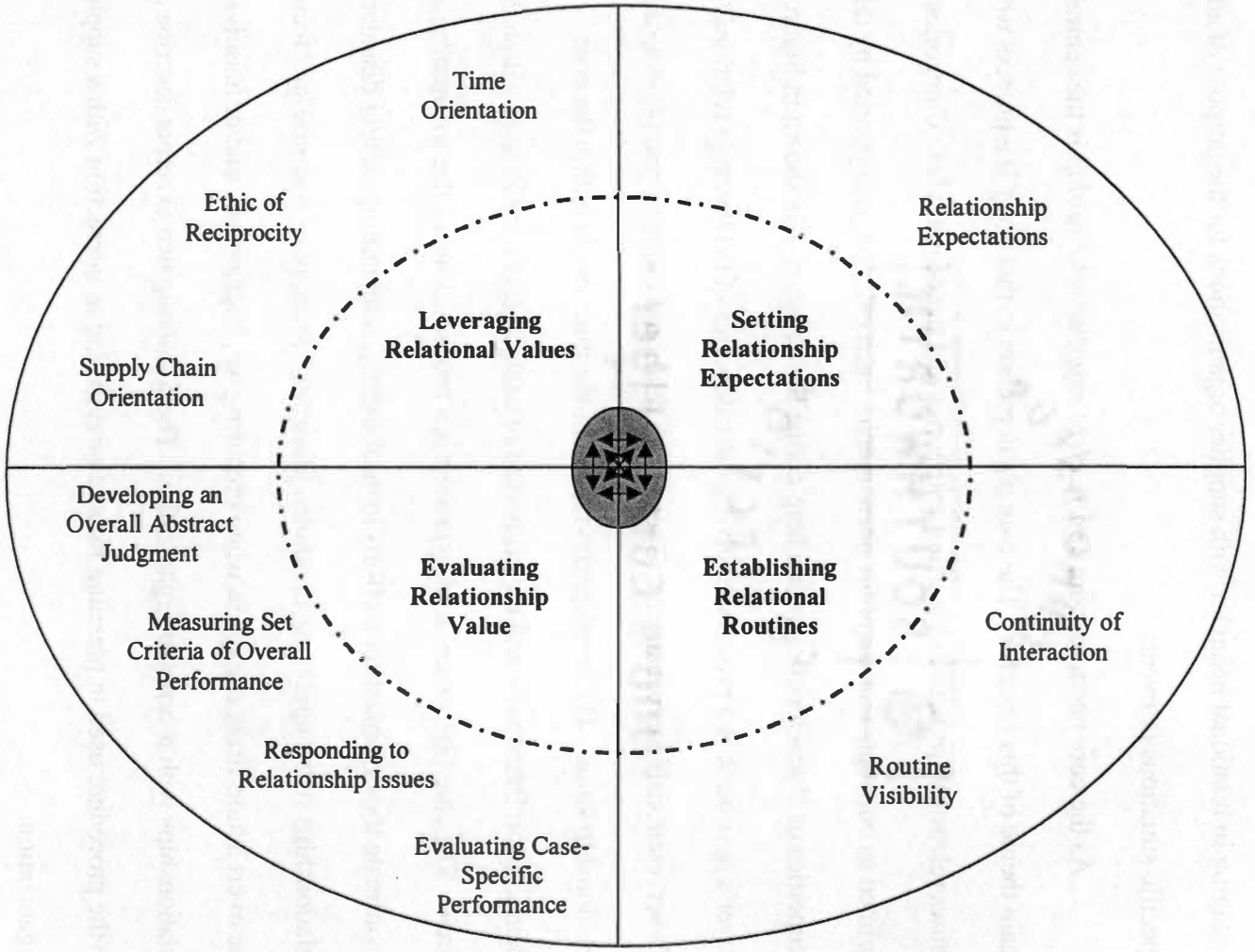

Figure 4-1: Core Phenomenon Framework– Approach to Supplier Relationships

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> David:
> *...that is a strategically different approach to customer relationships.* In other words, what [Buying Executive] is looking for is for a supplier to come in and say, what is it that you are going to need insofar as volume over the next five years, and we will see how we can supply that. As opposed to a manufacturing driven mentality that says here is what we can produce and here's how much is allocated to you as a customer (Para 9).

In this study, buyers interacted with multiple suppliers and expressed a need to adapt the interactions with each supplier to the event(s) or issue(s) that initially called the relationship to the buyer's attention. It is in addressing and/or ignoring the situation within which the supplier relationship is embedded that one begins to understand the *approach* buyer's develop for engaging relational behavior. While some situations may appear to be more pressing in the eyes of a buyer than others, it is important to note that buyers are continually making decisions to act or to not act on the confronting circumstances. The action (or inaction) a buyer takes when facing these situations represents an *approach* which is influenced by the organization's broader philosophy regarding relationships, as well as the circumstances occurring at a particular point in time.

> Elton:
> This is *the approach we try to take with the suppliers....If you could just do these things right you will help us immensely.* If you want to do business here, you should be able to do those things right (Para 379).

In the literature, *approach* is most closely aligned with studies addressing relationship orientation. Pillai & Sharma (2003) define relationship orientation as "the propensity to engage in relational behavior" (p. 645). The opposite of relational orientation is transactional orientation or "arms-length exchanges" (p. 645). Pillai and

Sharma (2003) were attempting to define relational orientation in a way that tapped into the "fundamental attitude of relationships" (p. 645). Relationship orientation was comprised of trust, commitment, and information exchange (Pillai and Sharma 2003; Sarkar et al. 2001).

Additionally, Day (2000) explains that a "relationship orientation pervades all parts of the organization's mind-set, values, and norms and thus influences all interactions with the customer – before, during, and after the sale. Within this notion of relationship orientation, firms recognize and appreciate the long-term value of a customer and view a single transaction as part of a larger process which creates opportunities to exchange value in the future (Day 2000). While orientation recognizes the influence of organizational values on the firm's mind-set, it does not account for how organizations must adapt this mind-set to account for specific situations that may disrupt the ongoing interactions of the buying and selling firms. In many ways, the relationship orientation concept is very similar to previously discussed philosophy for engaging in relationships.

Similar to philosophy, the key differences between *approach* and conceptualizations of relationship orientation are (1) the recognition of influential use-situations and its impact on the ongoing interactions between buyers and sellers and (2) the integration of relational values, relationship expectations, relational routines, and received relationship value as a means to account for these extenuating circumstances. As recounted by Bill in the excerpt to follow, the process of engaging in relationships is context specific and is tailored to the demands of a particular buyer-seller relationship. Interestingly though, Bill describes *approach* by providing an example of how a supplier

approached his firm. In the following example, Bill describes how a supplier leveraged their philosophy…

> *GE Plastics has a philosophy*…they have looked at [Bill's firm] and they have said "Look, we know that cash flow is tight, *it is a struggle always for them to pay us on time [current situation].* What can we do to make them more financial strong? *How can we help them, because if they are more financially strong, they are going to be able to buy more material, they are going to be able to grow, etc?*

…when engaging his firm within a particular situation.

> *They came to us [approaching]...and showed us and worked with us on a set-up reduction program*....Now what that did was open up opportunity for us to do more business and do more business with the same overhead structure, and as such, created more profitability…and gave us the ability to pay our bills on a more timely basis.
>
> So, that kind of a resource and that kind of forward thinking is very innovative and something that was very good for [Bill's Firm] (Para 58).

The distinction between *approach to supplier relationships* and relationship orientation serves as a reminder that *approach* is a process. This process is essentially an operationalization of the firm's philosophy (orientation) towards buyer-seller relationships. As a means for addressing situations confronting a specific relationship, the *approach to supplier relationships* coordinates the buyer's action by leveraging relational values, setting relationship expectations, establishing relational routines, and evaluating relationship value. These components represent subcategories of the core phenomenon and will be detailed in the following subsections.

Leveraging Relational Values

Leveraging relational values represents the influence of relational values, or the centrally held, enduring core beliefs or tenets a buyer has about business relationships, on

how a buyer engages in relational behavior. Relational values are built upon the buyer's organizational values and help guide the buyer's behavior in a particular context. As described by Linda, relational values stem from organizational values…

> Linda:
> *One thing is our company values…*

…and influence how a buyer perceives relational behavior:

> *we feel like there's nothing that's important enough to get somebody hurt. Not even our suppliers or contractors or anybody else. You know, we expect them to take the time to do the job right and to do it safely* (Para 301).

As described by Linda, the overlap between relational and organizational values enables firms to preserve the integrity of its organizational values by adapting and/or developing congruent values for the relationship context.

The values buyers develop regarding relationships with suppliers also play an important role in guiding how the buyer will develop, maintain, and/or dissolve buyer-seller relationships. While making decisions regarding a supplier relationship, buyers appear to leverage relational values as a baseline or parameter for addressing a particular issue. In the following example, Linda explains that her company believes it is important to be a responsible environmental citizen. Given this belief, her company would not do business with any supplier that did not also believe it is important to be environmentally responsible.

> Linda:
> *We want to be responsible environmental citizens. And we won't do business with somebody that we don't feel like is following the state guidelines or U.S. guidelines on environmental and health issues....we would not buy for anybody that we thought was not environmentally responsible.*

Additionally, Linda points out that relationships with suppliers have the ability to compromise the values of the buying organization.

> Linda:
> *...it's [environmental responsibility]...the right thing to do....as a company...we're not interested in compromising environmental issues (Para 102).*

Given the potential influence of relationships on buying organizations, leveraging relational values appears to serve an important role in establishing principles for how a buyer should establish, maintain, and/or dissolve relationships with a supplier.

The category of *leveraging relational values* supports the conceptualization of values in the extant literature and also expands the domain of values by incorporating the relationship context. Values represent enduring beliefs or tenets that influence future behavior of individuals and organizations (Flint et al. 1997; Rokeach 1972; Rokeach 1979; Schein 1985; Williams 1979; Williams 2002). The notion of individual and organizational values is widely discussed in sociology, marketing, human resources development, and organizational behavior research. As defined by Rokeach (1972, p. 124), values are "abstract ideals, positive or negative, not tied to any specific attitude object or situation, representing a person's beliefs about ideal modes of conduct and ideal terminal goals." Within the marketing literature, Flint, Woodruff, and Gardial (1997) define values as "the centrally held, enduring core beliefs, desired end-states, or higher order goals of the individual customer or customer organization that guide behavior."

Building on the work of Rokeach (1979) and Schein (1985), Williams (2002, p. 220) describes organizational values as the "collective beliefs about what the entire enterprise stands for, takes pride in and holds of intrinsic worth." Organizational values are not the firm's mission or strategy but are rather the socially based constructs that describe organizations and guide decision making and subsequent action. These values guide decision making across the organization, including decisions involving relationships with supplier organizations.

Figure 4-2 provides as an overview of organizational and relational values. In the left-hand column, it includes the most prevalent organizational values in the literature (Badovick and Beatty 1987; Deal and Kennedy 1982). Throughout this study, buyers identified several of these organizational values that influence how the organization engages in relational behavior. In the right-hand column, Figure 4-2 includes the types of relational values which are most pertinent to this study. These values are shared organizational values, as well as the relational values of supply chain orientation, reciprocity, and time orientation (highlighted). Table 4-2 provides definitions of these value types, as well as a definition of the *leveraging relational values* category. The following sections will provide further insight into the most important relational values by discussing supply chain orientation, reciprocity, and time orientation.

Supply Chain Orientation

Being a part of a larger process is a notion that is often described by buyers in this study. As a buying organization, participants recognized that their firms were influenced by the demands of downstream customers and the capabilities of upstream suppliers. As

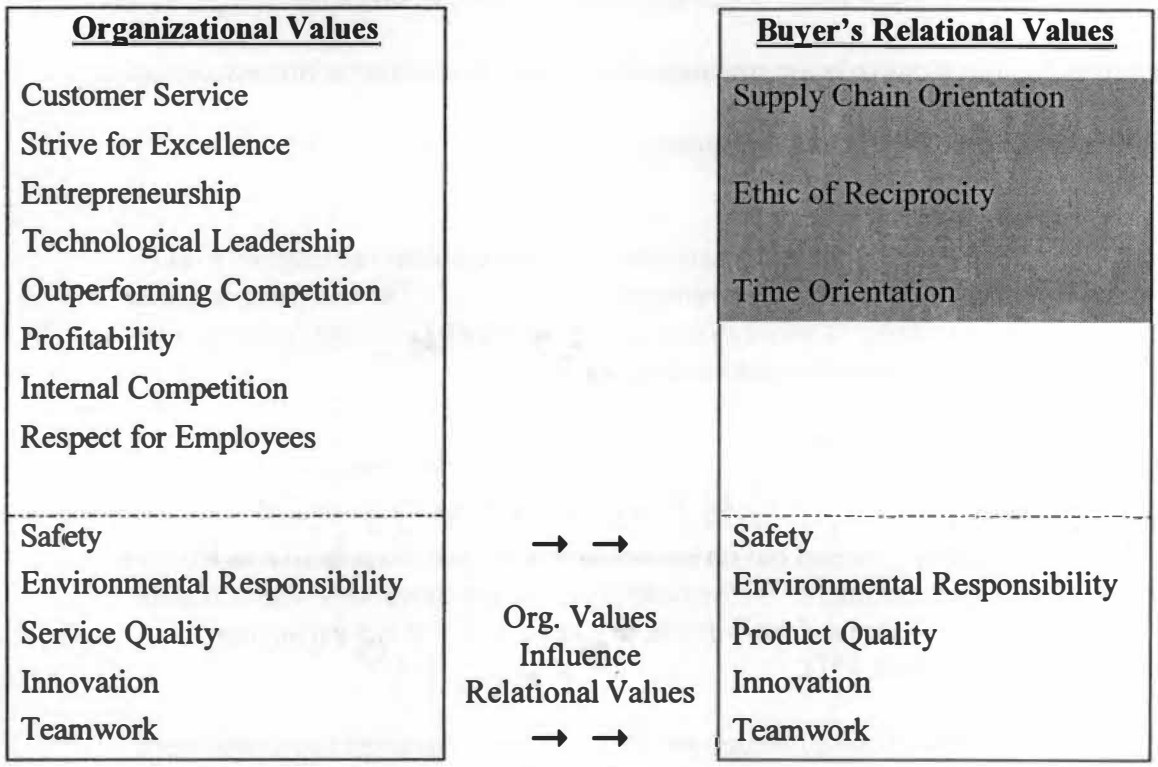


Figure 4-2: Organizational & Relational Values
(Adapted from Badovick and Beatty, 1987)

Table 4-2: Definitions Associated with the Leveraging Relational Values Category

Category/Property	Definition
Leveraging Relational Values	The influence of relational values, or the centrally held, enduring core beliefs or tenets a buyer has about business relationships, on how a buyer engages in relational behavior.
Supply Chain Orientation	The recognition by a company of the systemic, strategic implications of the activities and processes involved in managing the various flows in a supply chain (Mentzer et. al., 2001).
Ethic of Reciprocity	One should not ask of or do unto a supplier what the buyer does not desire for its own organization.
Time Orientation	The buyer's perception of time associated with the duration or length of interaction with a potential partner.

described by Linda and Eric, recognition of one's place in this larger supply chain context enables firms to begin making sense of and *leveraging relational values* as influenced by the supply chain resources.

> Linda:
> *...it's important for us to have that relationship with our customer and that the supplier have that relationship [with us]. The last thing we want is for something to bleed from the supplier through us and screw up our partnership with our customers* (Para 194).
>
> ++++++++++++++
>
> Eric:
> Our company started out on service and today we are selective as who we choose as customers. *We're looking for quality customers. These people [customers] demand more [from us] so we demand more from our suppliers* (Para 431).
>
> *...If you don't come through for the customers you won't have customers. And we depend a lot on our suppliers to help us in that way* (Para 436).

As shown in these two examples, Linda's and Eric's firms recognize the influence of the supply chain and seek to use this influence in building relationships with supplier organizations.

While participants in this study did not articulate a clear term to summarize the recognition of influences involved in participating within supply chains, the marketing and logistics literature does provide evidence of such a concept. This concept is best represented in Mentzer et. al.'s (2001) concept of supply chain orientation (SCO). As defined by Mentzer et al. (2001, p. 14), SCO is "the recognition by a company of the systemic, strategic implications of the activities and processes involved in managing the various flows in a supply chain." A buyer's recognition of the dynamic flows within a supply chain acknowledges the buyer's existence within a larger system. It is through the

acceptance of its role in the larger system that buying organizations can begin to make sense of and utilize the interconnectedness of the larger supply chain (Mentzer et al. 2001). For the purposes of this study, Mentzer et. al.'s (2001) definition is being used to characterize the buyers' action in this study.

Ethic of Reciprocity

As a relational value, reciprocity reaches beyond the reciprocal action of buyers and sellers to incorporate a deeper, philosophical meaning of reciprocity. In a supplier relationship context, the ethic of reciprocity states that one should not ask of or do unto a supplier what the buyer does not desire for its own organization. Often referred to as the Golden Rule, it has emerged as a tenet within business circles and has ties to both western and eastern religions (Barach and Elstrott, 1988; Von Bergen et. al. 2001). The ethic of reciprocity challenges one to think not only about oneself, but also about others (suppliers) before acting. Given the relational context of this study, it was not surprising to identify the presence of reciprocity in buyer-supplier relationships. However, it was interesting that reciprocity emerged as a core value or belief buyers have in regards to interorganizational relationships.

Reciprocity is a value that buying organizations bring into an exchange situation and leverage in building relationships with suppliers. As described by Eric and Ron, reciprocity is embedded in how organizations behave and thus becomes part of how buyers do business with their suppliers.

> Eric:
> The good people you want to deal with in a strong relationship, whether [it] is their fault or your fault, they're going to bail you out, *because we do*

that. We tend to be [as] good [a] customer as we are a supplier and if we made an error, we're going to admit it (Para 404).

++++++++++++++

Ron:
...I expect him to *be my advocate* if you will - inside his company - you know, and *argue for me as a customer, as much as I am doing the same role for him on the other side at my company.* Yes, I'm the internal spokesman...so *I look for them to share the same role - that's a [-] major* (Para 71).

The ethic of reciprocity also helps establish a perspective for mapping how buyers approach buyer-seller relationships. In a business context, the implementation of this ethic enables buyers to shape the organizations *approach to supplier relationships* by providing a basis upon which expectations of the relationship are set. When discussing situations confronting their respective organizations, Linda and Jimmy utilize reciprocity in articulating expectations of how they should do business with a supplier(s).

Linda:
If we find that a supplier has treated another customer with undo favoritism we would probably be a little bit upset about that.... You understand sometimes if you're a minimal [customer] from one of the [suppliers], you can't get all of the attention. And you can't get all of the consideration.

But if you're a good customer...that [showing favoritism] almost borders on being something that's not ethical, you're taking from one and giving to another...

Nor would we want them to - to unduly cut other customers...we want to be reciprocal, we don't want them screwing the other guys royally.

Unless it's our competition...(laughter).

++++++++++++++

> Jimmy:
> Yes, this is my perspective, *in the good times everyone should share the positives and in the bad time everyone should share the pain*...openness allows that to happen (Para 158).

As a relational value, it is important to question whether buying organizations ardently adhere to the "love thy enemy" roots of reciprocity in all situations. Additionally, does the belief in reciprocity ensure that relations with a supplier are always positive in nature? Evidence in this study shows that while one may believe in reciprocity, circumstances (catalysts) may influence the relative importance and/or relevance of reciprocity in guiding the buying organization's behavior. Pete recounts a situation where his firm deliberately went against the spirit of reciprocity to protect its self-interest and avoid a one-sided exchange with a supplier.

> Pete:
> That's where we were looking to Eastman for help and they couldn't help. Then, we felt like the majority of the time we were ahead of them. We didn't want them in the plant because we didn't want that technology going out to other people.
>
> I felt at times that wasn't good because *if they did have something to offer, which I know they did, we didn't want to share with them because we felt it would be too one-sided* (Para 309).

Based upon this example, the guiding force of reciprocity can be diminished by the magnitude and timeliness of situational events (catalysts) in an ever-changing business environment.

Time Orientation

An important property of the *leveraging relational values* category is time orientation. Within the relationship marketing literature, time orientation is widely

documented and accepted (Dwyer et al. 1987a; Heide 1994; Webster 1992). Time orientation is the buyer's perception of time associated with the duration or length of interaction with a potential partner. Time orientation typically varies from a short-term orientation to a long-term orientation.

> Eric:
> Are they going to be there for the long term, or are they there for the short-term, are they there for bucks (Para 118)?

A short-term orientation characterizes interaction with another firm as being on a transactional or temporary basis. Interfirm interaction under a short-term orientation is not expected to continue into the future. On the other hand, a long-term orientation suggests that a buyer perceives the current interaction to become part of or lead to future interaction with the seller.

> Annie:
> I think a good partner obviously is there for the long term (Para 45).

The variation in time orientation is important because it influences the decisions buyers make in addressing relational catalysts. This long-term orientation is a perspective buyers bring to the interaction with a supplier and it serves as a context within which decisions are made.

> John:
> ...it's like a marriage. *You step into it and it's not something you want to throw out the door just because you have a temper tantrum for a day. It's something that is a long-term relationship (*Para 238).

++++++++++++++

> Steve:
> *We would like to have very long-term relationships to the extent t*hat we can because there is usually not a lot of benefit in changing suppliers (Para 64).

Finally, time orientation drives buyers to consider future circumstances and/or consequences of behavior when making decisions regarding circumstances that are currently confronting an organization. For instance, a buyer facing a supply shortage and adopting a long-term orientation may consider both the short-term and long-term supply needs of the organization when negotiating with a supplier.

> Steve:
> If we don't work with them to help turn their margin situation around, we are going to be in a lot of trouble in a couple of years because we are not going to be able to get polyethylene to make vases (Para 64).

As shown in the previous example, the adoption of a time orientation, short or long, influences the core phenomenon of *approach to supplier relationships* by establishing parameters within which expectations will be formed and decisions involving the supplier relationship will be made.

Relational Statement 1

Leveraging relational values represents the influence of relational values, or the centrally held, enduring core beliefs or tenets a buyer has about business relationships, on how a buyer engages in relational behavior. Relational values are built upon the buyer's organizational values and help guide the buyer's behavior when approaching relationships with supplier organizations. As centrally held, enduring beliefs about

relationships with supplier organizations, these values guide a buyer's efforts to approach a relationship with a specific supplier, in a specific situation. Thus,

> RS1: *Leveraging of relational values* influences the *approach to supplier relationships* by injecting the buyer's beliefs regarding buyer-seller relationship as the base upon which relationship decisions and subsequent behavior will emerge.

Setting Relationship Expectations

Setting relationship expectations represents the buyer's efforts to define what they want to have happen in a specific kind of use situation, with the help of a buyer-seller relationship, in order to accomplish a desired purpose or goal. As described by Annie, one's understanding of what is expected in a relationship between buying and selling organizations influences how the buyer and seller approach interactions with the other party.

> Annie:
> ...the majority of poor relationships are because *expectations aren't clearly defined* and people, whether it be the supplier or the customer, *they don't really understand what it is they're supposed to get or what's expected of them* (Para 41).

As shown in this example, *setting relationship expectations* influences the *approach to supplier relationships* by establishing expectations or parameters of how the relationship with a supplier should function.

Throughout this study, it appeared that one's ability to develop, maintain, and/or dissolve buyer-seller relationships was dependent upon the articulation and understanding of what was involved in doing business with a particular supplier under certain circumstances. John and Linda describe the influence of setting expectations as a prerequisite for approaching a relationship with a particular supplier.

John:
I think from our standpoint here we have tried to deal and *bring people in and discuss what our goals and expectations are and then try and develop them [relationships] from that stage forward* (Para 245).

++++++++++++++

Linda:
Up front we have sat down with him and *we have gone through what our requirements are* (Para 118).

These examples highlight the role expectations play in providing direction for how one should approach interactions with a particular supplier.

The key to addressing the influence of *setting relationship expectations* on the *approach to supplier relationships* is to establish an understanding of the types of expectations that are important in buyer-supplier interactions. The specific types of expectations provide insight into what is driving a buying organization's efforts to establish, maintain, and/or dissolve a particular supplier relationship. As outlined in Table 4-3, the category of *setting relationship expectations* is supported by the types of relationship expectations property. This property, broken down into functional and communal expectations, will be discussed in the following section.

Relationship Expectations

Relationship expectations are what buyers want to have happen in a specific kind of use situation, with the help of a buyer-seller relationship, in order to accomplish a desired purpose or goal. This definition is influenced by both the participants' experiences and the marketing literature on desired customer value. The reasoning which brings the participants experiences and the extant literature together is the participants'

Table 4-3: Definitions Associated with the Setting Relationship Expectations Category

Category/Property	Definition
Setting Relationship Expectations	The buyer's efforts to establish what they want to have happen in a specific kind of use situation, with the help of a buyer-seller relationship, in order to accomplish a desired purpose or goal.
Relationship Expectations	What buyers want to have happen in a specific kind of use situation, with the help of a buyer-seller relationship, in order to accomplish a desired purpose or goal.

use of different terms than those in the literature to characterize one's perception of what they want to have happen in a relationship as desired value. Buyers in this study discussed what they want to have happen by using words like expect, want, demand, or a summary term of expectations.

> Ron:
> I *expect* them to be technically knowledgeable…(Para 75).
>
> ++++++++++++++
>
> Robert:
> We *want* our suppliers to be able to provide us with the lowest cost…(Para 59).
>
> ++++++++++++++
>
> Eric:
> We're looking for quality customers. These people *demand* more so we *demand* more from our suppliers (Para 431).
>
> ++++++++++++++
>
> John:
> …our *expectations* of a supplier are the same…(Para 142).

As noted in these examples, buyers use the word "expectations" to capture what they want to have happen. This term is different in title from the term "desired" that is used in the marketing literature to capture what buyers want to have happen through the use of a buyer-seller relationship in a particular situation. Only rarely did buyers use the word "desire" to capture the value sought in a buyer-seller relationship.

> George:
> ...there is always *a desire for light weight*, there is always *a desire to get more for less*, there is always *a desire to do exotic things with funny shapes of packages* (Para 248).

While the terms may be different, it is important to note that the phenomenon addressed in the literature (desired customer value) and in this study are the same. In the end, the researcher decided to use the participants' term of expectations to describe the phenomenon and to use the literature as supporting evidence for describing the buyers efforts to describe what they want to have happen in a particular relationship.

The field of marketing has a long history of studying expectations of value, desired value, in a consumer behavior context but has only recently begun addressing desired value from a business perspective (Flint et al. 2002; Holbrook 1994; Sheth et al. 1991). Research involving the expectations or desired value of buyer-seller relationships is relatively unexplored in marketing largely because research has traditionally focused on the outcomes or received value of relationships (Anderson 1995; Cannon and Homburg 2001; Garver 1998; Gassenheimer et al. 1998). While the researcher recognizes the importance of business relationships outcomes (discussed in upcoming section), the researcher also sought to address the expectations or desires of buyers when building, maintaining, and/or dissolving buyer-seller relationships. Stemming from

customer value research (Flint et al. 1997; Woodruff and Gardial 1996) and evidence in this study, expectations of relationship value represents what a buyer wants to have happen in a specific kind of use situation, with the help of a buyer-seller relationship, in order to accomplish a desired purpose or goal.

The essence of relationship value centers on the expectations buyers have of a supplier relationship in a certain business situation. The buyer's expectations are inherently focused on the future. It is through these expectations that buyers develop an understanding of what they want to have happen in a particular situation through the use of a buyer-seller relationship. As explained by Eric, buyers expect future interactions with supplier to mean something or to provide value.

> Eric:
> I like to deal with people who know their business and know what we need as well as what our customers need. *When I spend an hour of my day with a supplier, I want that to mean something. When they leave I want to say I accomplished this or I got good knowledge of this* (Para 415).

Eric's articulation of expectations shows that buyers want relationships with suppliers to influence how the buyer is going to perform in the future.

In this study, research efforts were focused on identifying specific types of expectations which help explain why buyers engage in, maintain, and/or dissolve relationships with supply organizations. The types of relationship expectations identified and described in this study include expectations of communal and functional value. Both of these expectations are summarized in Table 4-4 and will be discussed in the following sections.

Table 4-4: Types of Relationship Expectations

Expectation	Definition	Properties	Supporting Literature
Expectations of Communal Value	The social benefits and costs sought when conducting business through buyer-seller relationships.	• Trust • Fit	Garver 1998; Gassenheimer 1998; Wenger and Snyder 2000; McAlexander et al. 2002;
Expectations of Functional Value	The benefits and costs relating to the buying organization's ability to perform his/her job more efficiently and effectively that are sought when conducting business through buyer-seller relationships.	• Economic Impact • Responsiveness • Expertise • Bleed-through	Sheth 1991; Holbrook 1994; Garver 1998;

Expectations of Communal Value

Expectations of communal value are the social benefits and costs sought when conducting business through buyer-seller relationships. The property of *expectations of communal value* was developed through the experiences of the participants, the dissertation researcher's comparisons, and the extant literature. While the phenomena emerged from the collected data, the larger concept and the naming of this concept developed in the dissertation author's interaction with previous experiences and the literature.

When describing expectations of social interactions, buyers described the dynamics between organizations that creates a comfortable environment and facilitates interactions with supplier organizations. For instance, Eric describes a situation where the buyer feels open or comfortable approaching the supplier about any issue that may arise during business interactions.

> Eric:
> You feel open about going to them with just about anything you have. They come back to you with anything (Para 319).

Additionally, John explains how the social dynamic amongst firms adds value to the relationship, above and beyond product quality and price, by influencing how firms will work together.

> John:
> ...if there were two suppliers and they had the same material and the same conditions, obviously *the one that has a good comfort level working with the people - that is going to be the long-term winner*....it certainly does make a better relationship *being able to deal with people you like to do business with* (Para 82).

Reflecting on these two examples, buyers expect relationships with suppliers to establish an environment where firms can address business related issues. This environment is sought by buyers because the interactions facilitate the deliverance of more valuable or purposeful interactions regarding relationship specific issues. The social dynamics influence the way the firms do business together and thus, provide value above and beyond similar interactions with firms with whom the supplier does not have a relationship.

The social atmosphere of buyer-seller relationships is an issue that buyers referenced often, but was one that was loose in terms of its contents or domain. Two key properties that support the social atmosphere were identified as (1) trust or the anticipated benefits and costs associated with the buyer's willingness to rely on the selling organization and (2) relational fit or the benefits and costs associated with how the buying and selling organizations mesh or fit together

when conducting business. Collectively, trust and relational fit provide insight into a larger concept of social dynamics or interaction that was not directly addressed by respondents in this study (Each property is discussed in upcoming sections).

As an expectation of what buyers want from a relationship, the social atmosphere appears to create an arena or space for interacting with a particular supplier. In this sense, the dissertation researcher began comparing social dynamics to concepts like "communities of practice." In communities of practice, companies or individuals work together to address issues relevant to a specific situation. The term community was particularly interesting because it appeared to represent a purposeful, yet fluid arena which was designed to facilitate the interaction amongst its members. The community is of value because it creates value influencing by bringing like-minded members together (fit) in an environment where members can rely on each other to contribute to the community (trust).

To further explore the larger context of social dynamics, the research turned to the literature and found support from research on community. The concept of community is one which spans across today's domain of scientific research. From community values in socio-economics (Diwan 2000), to communities of online gamblers and bloggers (Blood 2004), the concept of community has been used to identify participating members and the relationships that exist among them. Within marketing and management research, researchers are currently examining brand communities in consumer behavior (McAlexander

et al. 2002) and communities of practice in organization behavior and strategic management (Wenger and Snyder 2000). While the business-to-business literature does not directly address communities, it does address topics, like social value, which share some of the general characteristics of community identified in other areas of marketing and management.

Throughout this study, the social dynamics between buyers and sellers seemed to describe a phenomenon that was not adequately addressed in the marketing literature. While there is research on specific topics like trust and user-friendliness (Garver 1998; Morgan and Hunt 1994; Williamson 1993), there is a lack of empirical research on the larger social environment created when buyers and sellers interact through business relationships. Stemming from research in consumer behavior and communities of practice, the social context amongst buyers and sellers can be described as a community. McAlexander et al. (2002) defined community being "made up of its member entities and the relationships among them" (p.38). Similarly, Wenger and Snyder (2000) define communities of practice in organizational behavior as "groups of people informally bound together by shared expertise and passion for a joint enterprise" (p. 139). The relationships amongst participants in the community serve as a mechanism for creating value, in the form of social benefits and costs, which is shared amongst the participants.

In creating the title *expectation of communal value*, the author of dissertation felt it was important to acknowledge the difference between social aspects of value in a business relationship context and social value in a consumer consumption context. Social value has been widely studied in consumer behavior and is widely accepted as the perceptions of other people associated with consuming a particular product or service

(Holbrook 1994; Sheth et al. 1991). The consumer behavior conceptualization of social value is not supported in this study.

While previous conceptualizations of social value in the business-to-business literature are supported in this study (Garver 1998; Gassenheimer et al. 1998), communal value seeks to broadened the conceptualization by accounting for the larger structure within which social interaction between buyers and sellers occur. Garver (1998) currently offers the broadest description of social value by capturing affective aspects of relational behavior like comfort, enjoyment, and feeling of being taken care of. Gassenheimer et al. (1998) described social value as one's satisfaction with a trade partner, given the potential performance of alternative partners. While both of these descriptions contribute important insight into social value, these conceptualizations stop short of addressing the value of the larger social context, or in this case the value of being of a specific buyer-seller community.

As previously mentioned, *expectations of communal value*, is a combination of two key properties. First, relational fit describes the benefits and costs experienced by the buyer that are associated with how the buying and selling organizations mesh or fit together when conducting business. Second, trust represents the benefits and costs experienced by a buyer that are associated with the buyer's willingness to rely on the selling organization. Each of these properties is summarized in Table 4-5 and will be described in the following subsections.

Table 4-5: Expectations of Communal Value

Value Dimension	Definition
Communal Value	The social benefits and costs sought when conducting business through buyer-seller relationships.
Relational Fit	The expected benefits and costs associated with how the buying and selling organizations mesh or fit together when conducting business.
Trust	The expected benefits and costs associated with the buyer's willingness to rely on the selling organization.

Relational Fit

The relational fit between organizations addresses the congruence of buyer and seller expectations of what they want to have happen in the relationship and in a particular situation. As a property of communal value, relational fit represents the buyer's expectations of benefits and costs that are associated with how the buying and selling organizations mesh or fit together when conducting business. Gassenheimer et al. (1998) touched on relational fit by describing the social distance between buyers and sellers across a variety of situations. The concept of social distance was based on the economic and social intent of future exchanges and did not address the communal benefits and costs associated with knowing that the buyer and seller are "singing off the same sheet of music."

In many cases, relational fit is simply a summary judgment of whether the buyer senses a "fit" between the buyer's and the seller's expectations of what should happen within the relationship. Relational fit focuses on the participating firm's ability to

understand each other's expectation of what should happen in a particular situation. In the following example, Ron describes a situation where the supplier does not understand what his organization expects from the relationship.

> Ron:
> ...you hate to keep telling somebody, *who you know doesn't know what we are about or what ever they're even trying to selling. It just isn't a good fit* (Para 266).
>
> ..I see people come in and want to try to sell us....*Their sales representatives are not quite as knowledgeable. They are trying to be opportunistic.* Nothing wrong with that per say, but *it just doesn't fit our persona* (Para 280).

Paul expands on this aspect of fit by showing how this communal expectation can influence the approach one takes when interacting with a particular firm. Paul does this by asking questions regarding how a supplier will fit into his organization and then how his organization will fit into the supplier's organization.

> Paul:
> *How does Eastman fit into our organization?* How can Eastman help us? *How can we help Eastman* (Para 299)?

The relational fit between buyers and sellers is elusive in that one is not sure if there is a "true" fit with a supplier until they actually experience the relationship. In many cases, buyers articulate a perfect fit by describing the interactions with a supplier as being a "true" relationship. Buyers often seem to place added-emphasis in describing a relationship as being "true" to indicate the presence of an ideal fit between the buying and selling organizations. It appears that the added-emphasis is used to characterize perfect fits because buyers often face incongruency between their expectations of

relationship value and the capabilities of the seller to deliver this value. As shown in the following example, Bill describes true relationships as situations where expectations are clearly articulated and serve as a mechanism for guiding future behavior between the organizations.

> Bill:
> I feel that *if you have a true partnership,* the customer or vendor…should feel comfortable that we can talk about what we are doing and solicit their technical support, etc.
>
> And if it is times where…from a financial basis…there may be some substantial research and development or upfront cost to get an end product. *If Eastman can help...then they are really working with you in my opinion as a vendor to see to it that you are successful....That's how I think they can prove that they are there and really a true partner* (Para 54).

In describing the fit between participating organizations, buyers explained that the organizations are (1) confident in the future of the relationship, (2) comfortable working together, and (3) compatible in terms of the employee personalities. Buyers felt confidence in the relationship was important because it enables the participating firms to focus efforts on issues that need to attention without having to worry about the other company engaging in opportunistic behavior. As recanted by Keith, relationships develop in situations where buyers have confidence that the supplier is willing and able to fulfill the expectations of the relationship.

> Keith:
> *They [supplier] are going to be there for a long time, and you know who they are going to be.* So you have an opportunity to build a relationship which is really important. *I think most people don't understand the value of that in building trust and confidence.*
>
> *When you know somebody and you like somebody, you have confidence in them that they are not going to screw you.* They are not going to pull the

rug out from under you. *That is where the relationship is built.* That is the real relationship (Para 109).

In this example, Keith's confidence in the supplier is valued because it influences his expectations of what should happen within this relationship in the future.

Second, the comfort of working with a particular supplier is important because it describes the atmosphere within which the organizations are interacting. As an expectation of this atmosphere, comfort describes the perception of how well one works with a supplier firm. Naturally, comfort may vary across situations and suppliers. As described by Eric, comfort enables buyers to approach sellers in ways that support the buyer's business operation and expectations of the relationship.

Eric:
Whether it is over the phone or coming into to see you or sending you information in the mail. *You get comfortable with someone.* To the point where they are that extension of your business.

...you feel very comfortable with going to them and saying, yeah, we have this problem. And this is not a problem we want to advertise, but we have this problem. *You feel open about going to them with just about anything you have* (Para 309-319).

Finally, the fit between organizations is influenced by the compatibility of the involved employees' personalities. The individual employees of each organization serve as representatives in the relationship, but they are also individuals and have preferences as to the type of people or personalities that they prefer to work with. The mixture of personality types was often marked with heightened emotion and colorful language.

Eric:
...They just called on us when they wanted to, *they were pretty arrogant. I was insulted by their attitude*, I would try to filter them out when I could (Para 427).

Additionally, the mixture of personality types also creates an expectation of the people each firm should hire to represent their firm to the other organization. In the following example, Keith describes how the expectation of with whom one should do business influences the buyer's perception of the person…

> Keith:
> The first sales representative they sent in here, *I can't imagine how she ever got to be a sales person*....So they send in this gal whose name I don't remember....*She was the spectacle of the building*.

…and the perception of the seller's ability to fulfill the buyer's expectations.

> I said that's our Eastman rep. It's like, *they [buyer's coworkers] couldn't believe...that a company like Eastman would send something like that in to call on a major customer*. And not only that, she didn't know her job at all. She was a terrible sales person. She had no answers to any questions at all (Para 76).

As shown in these examples, the mix of personalities involved in relational interactions influences the buyer's perception not only of the people involved, but also the perception of the supplier to fulfill its relationship expectations. The combination of personality mix, comfort with a supplier, and confidence in a supplier provides a solid foundation for determining the fit a buyer should expect from a relationship with a particular supplier.

The manner in which fit is established is also important to the approach process because it helps buyers and sellers identify common ground within the relationship. The way participating firms mesh or fit together in terms of personality mix, comfort with a supplier, and confidence in a supplier will naturally vary across different use situations. As shown through previous excerpts, the fit between organizations will vary from perfect fit (true relationship) to absence of fit. Recognizing this variation is important because it influences *approach to supplier relationships* by helping qualify potential suppliers. The

establishment of fit with potential partners is also important because it appears to influence the development of trust.

Trust

As discussed in Chapter Two, trust's role in the development of buyer-seller relationships is well documented and there is little doubt that it is a cornerstone of these relationships (Dwyer et al. 1987a; Morgan and Hunt 1994; Wilson 1995). Throughout this study, trust was widely discussed and represents the expected benefits and costs associated with the buyer's willingness to rely on the selling organization. In particular, buyers most often described trust as believing that suppliers were working in their best interest.

> Linda:
> Trust to me is letting me know when your processes change and *working in my best interest.* You can generate a lot of trust...*you can come in the door and say you're using an expensive one of these, I can give you one of these and it'll work just as well.* You put it in and it works well, you know. You generate trust from that. The guy is *looking out for you* (Para 377).
>
> ++++++++++++++
>
> Roger:
> ...I just reemphasize again the trust part of it. In a major crisis you have to be very *confident that supplier holds both companies best interest in mind.* When a guy tells you something, you don't have to wonder what ulterior motive is (Para 159).

As noted in the excerpts above, trust is influenced by the seller's comfort with and confidence in a supplier. The presence of comfort and confidence in this example of trust provides insight into the link between relational fit and trust. While this study only

provided support for previous conceptualization in the marketing literature, it did identify an opportunity for future research to further explore the antecedents of trust.

Expectations of Functional Value

Functional value is defined as the benefits and costs relating to the buyer's ability to perform his/her job more efficiently and effectively that are sought when conducting business through buyer-seller relationships. Throughout this study, buyers were concerned about the impact suppliers would have on the buyer's ability to perform their job. As described by Terry, *expectations of functional value* include issues and/or events that may have a positive influence on one's operation...

> Keith:
> [Actions of suppliers]...*help us to move faster, grow faster, get on to the next situation, cements the relationship, improves the relationship...*

...and/or that may have a negative influence on one's operation.

> Keith:
> It [supplier action] *makes us sluggish, can't move forward, get on to the next thing...slows our growth. Maybe embarrass us in front of a customer or a prospect. It hurts our competitive position* (Para 365).

As shown in Keith's examples, buyers expect suppliers to influence their operation and use this overall expectation to guide the way in approaching relationships with suppliers.

The current conceptualization of *expectations of functional value* is supported by the marketing literature and particularly by Garver's (1998) research on a buyer-salesperson interaction. This research expanded the context of functional value to include the buyer-seller relationship context. Garver (1998) defined functional value as "the tradeoff of benefits and costs which relate to the buyer's ability to perform his/her

job more efficiently and effectively" (p. 66). Additionally, functional value has been widely discussed in the consumer behavior literature. Sheth et. al (1994) defined functional value as:

> The perceived utility acquired by an alternative as the result of its ability to perform its functional, utilitarian, or physical purposes. Alternatives acquire functional value through the possession of salient functional, utilitarian, or physical attributes (p. 18).

Holbrook (2002) described a similar value of efficiency as involving "extrinsic value that results from the active use of a product or consumption experience as a means to achieve some self-oriented purpose" (p. 13). It is interesting to note that in both the consumer behavior and in the business-to-business contexts, functional value focuses on the ability of buyer to influence personal or organizational performance as the result of consuming a product, or in this case utilizing a buyer-seller relationship, in a specific use situation. As shown in Table 4-6, the *expectations of functional value* experienced by buyers in this study included responsiveness, bleed-through, acquiring expertise, economic, product quality, time management, and inventory management. Given the scope of this research and the lack of interview depth on these dimensions, product quality, use of time, and inventory allocation will be addressed through future research.

Responsiveness

Buyers want relationships to assist them in addressing events that arise during everyday business. In particular, buyers seek suppliers that are responsive to the needs of the buying organization and the needs of sustaining a business relationship. Responsiveness characterizes the benefits and costs sought by the buyer that relate to the

Table 4-6: Functional Value of Buyer-Seller Relationships

Value Dimension	Definition
FUNCTIONAL VALUE	The benefits and costs relating to the buying organization's ability to perform his/her job more efficiently and effectively that are sought when conducting business through buyer-seller relationships.
Responsiveness	The benefits and costs sought by the buyer that relate to the management of events confronting the buyer-seller relationship.
Bleed-through	The benefits and costs sought by the buyer that relate to the seller's influence on the buyer's downstream customer.
Access to Expertise	The benefits and costs sought by the buyer that relate to the seller's knowledge of how their product impacts the buyer's business.
Economic Impact	The benefits and costs associated with financial aspects of conducting business that are sought through the use of buyer-seller relationships.
Product Quality	The benefits and costs experienced by the buyer that relate to the seller's ability to produce products which meet the buyer's specifications.
Use of Time	The benefits and costs experienced by the buyer that relate to the buyer's ability to maximize their time on activities which produce downstream value.
Inventory Allocation	The benefits and costs experienced by the buyer that relate to the seller's allocation of supply to the marketplace.

management of events confronting the buyer-seller relationship. Responsive suppliers are typically characterized as being willing to accept their responsibility and move forward in addressing the situation at hand.

> Bill:
> *...they are responsive, they [-] accept their responsibility and go forward and correct it.* You are going to stay with them. You want to work with them because you know that they feel the responsibility for it (Para 146-154).

While non-responsive buyers are characterized as those which do not recognize their responsibility in resolving an issue or that do not respond to the event or request.

> Bill:
> ...A *non-responsive vendor* immediately it is brought to my attention and either myself or my boss will go straight to the vendor and we will start discussing what the ramifications are and *if they don't continue to respond or don't recognize that it is their responsibility*, we will look for an alternate source ... (Para 146-154).

Additionally, responsiveness captures the sense of urgency which is often felt during catalytic events by facilitating efficient communication and timely action. As described by George, expecting someone to be responsive involves the reaction time of suppliers to address the confronting circumstance and/or buyer's request.

> George:
> Is the supplier in general a responsive supplier? If we call with a question, do they get back? Do they answer your phone calls? The basic feeling of how well do they react to your request for information (Para 119).

Along with the timing of the supplier's reaction is the supplier's ability to handle the event or request from the buyer. As explained by Keith, part of being

responsive is being able to make timely and binding decisions without having to get approval from other people within the organization. In the following example Keith shows how a supplier's organization structure may impair responsiveness...

> Keith:
> Now we have gone to Kingsport a couple of times and put on our dog and pony show...and nothing happens....I think part of it is bureaucracy. I think part of it is politics. I don't think they are bad people, and I don't think they intend to be not *responsive*. I think it is just the way they are structured.

...or it may improve responsiveness.

> ...*How does it help us? They are very responsive and I can call one guy. I can get a 90% probability of what the decision is going to be.* If he can't make the decision, and in most cases he can, I mean we worked out some enormous things between the two of us....All of it gets resolved...because *he (salesman) has the authority to run his business in accordance with whatever it is they said they were going to do with their plan. It is a very flat organization; it has to be responsive* (Para 93-96).

Finally, responsiveness is important to buyers because problems and/or opportunities are addressing in an effective manner. As Annie (Para 41 & 97) describes, action is only responsive if it effectively addresses the issue in question.

> Annie:
> ...I explained to them what I needed in terms of containment and corrective action and response time and they felt that because they were coming on site immediately to the problem plant or the plant that was having the problem, that they were being responsive....*Being there physically is not responsive to me unless you're going to do something to effectively remove the problem* (Para 41).

While addressing the correct problem is critical, the success of the action is heavily influenced by the person that is making the decision(s). As explained by

Annie, responsive action is performed by the right person or a person that has the authority to make such decisions.

> Annie:
> ...there have been times where from an *unresponsiveness* [standpoint]. And that tends to be *the wrong level person being sent into a plant*...you can show them what the defect is and if *it happens to be somebody who's not at a level where they can make a decision...then there's no value added in sending that guy*. If anything, you are only going to make the plant angry (Para 97).

As exhibited in these examples, responsive suppliers not only allocate employees to the confronting circumstances, but they empower these employees to make binding decisions regarding the corrective action needed for the situation.

Bleed-through

While this study focused on a buyer's relationship with supplier organizations, buyers recognized that these relationships influenced the buyer's downstream interaction with the customer organization.

> Linda:
> The last thing we want is for *something to bleed from the supplier through us and screw up our partnership with our customers* (Para 194).

Essentially, value from the relationship with a supplier could "bleed-through" the buyer's organization and influence the value delivered downstream to customer organizations.

Bleed-through is the benefits and costs sought by the buyer that relate to the seller's influence on the buyer's downstream customer. As explained by Linda, buyers

want to do business with suppliers that can add value to the buyers' downstream customers.

> Linda
> *...if the supplier knows to bleed the down stream technology and he can anticipate what's going to happen - what's going to happen to our customers and what he might need to do to change his process so that our customers are going to get the best service from us.* You know, that's going to endear that particular supplier to us (Para 226).

In this example, the buyer was not only expecting the supplier to deliver a particular product or service, but they were also expecting the supplier to improve the buyer's ability to service downstream customers. It is important to note that while bleed-through can have both a positive and a negative impact on the downstream customer. Positive bleed-through occurs when the supplier augments and improves the buyer's product and/or service.

> Eric:
> A good supplier is going to say this is my opportunity, I'm going to make sure that this guy looks good [and that] this company doesn't shut down at the biggest customer (Para 396).

Negative bleed-through occurs when the supplier actually detracts from or impedes the delivery of value to downstream customers.

> George:
> The real crisis is the lack of quantities [from suppliers] we could use and the fact that in a tight market resin prices are going up and *we are hard pressed to pass those costs through because all it does is start a new round of customers shopping for a cheaper supplier. So, that creates instability on our side* (Para 47).

Whether positive or negative in nature, bleed-through naturally occurs within marketing channels and it the buyer's responsibility to manage the influence a supplier has on the buyer's operation.

Access to Expertise

Access to expertise is the benefits and costs sought by the buyer that relate to the supplier's knowledge of how their product impacts the buyer's business. Buyers recognize that their organizational competencies have boundaries and that suppliers can extend these boundaries by serving as sources of knowledge or expertise.

> Phil:
> ...they will bring in expertise that we don't have to analyze the problem (Para 147).

The access to this expertise often serves as an important expectation of buyer-seller relationship because buyers view suppliers as resources that can be called upon to address certain questions or situational circumstances.

An interesting dynamic involved in expecting access to supplier's expertise in the notion that buyers receive this expertise without expending additional resources to obtain the expertise. As explained by George, a relationship with a supplier provided his organization with highly skilled experts that were not on his payroll, and at his "beck and call."

> George:
> It really is perceived as they (supplier) are experts. It's almost like having a senior maintenance guy at your beck and call but you don't have to have one on your payroll (Para 294).

Recognizing that the access to this expertise is made available by the buyer's ongoing business with the supplier, it is interesting to think of suppliers as knowledge sources which can be tapped in times of need. Taking this a step

further, Annie explains that she expects suppliers to be experts on issues that are relevant to supplier's business because these issues are not part of her business.

> Annie:
> I really think of our suppliers as being experts. I don't ever want to know about resins in any detail but I sure as heck hope they do (Para 45).

In this example, the buyer recognizes her own knowledge limits and expects suppliers to provide expertise on issues which are beyond these limits and relevant to the supplier's operation.

While understanding one's own business is important, buyers also want to do business with suppliers that recognize and understand the influence they have on the buyer's business. Buyer-seller relationships may influence the performance of the buying organization when the supplier provides insight into the buyers operation by sharing technical expertise and/or resources. As explained by Eric, insight may stem from the supplier's knowledge of the buyer's organization and customers.

> Eric:
> A sophisticated supplier is going to know your customer bases and obviously know your expectations (Para 352).

The insight may come from the supplier's willingness to help the buyer address specific problems and/or opportunities.

> Linda:
> …we can get opinions from them [supplier] on what we should do or how we should do it. Where we should go? Are there further optimizations that we can do? We understand that they can't do all of our product development for us…that's value added (Para 142).

Finally, buyers expect access to expertise because suppliers often have a broad understanding of the buyer's industry or competitive environment. Not only do

suppliers have knowledge of their business (upstream from buyer), but they also have knowledge of the buyer's business. In combining these two knowledge bases, buyers begin to appreciate the suppliers' ability to anticipate potential problems/opportunities and to provide consultative services. As explained by John, buyers expect suppliers to leverage their expertise and to anticipate the buyers' needs, almost before the buyers recognize the need themselves.

> John:
> I think they (supplier) need to understand where the growth is in the business, where we think it is (Para 150).
>
> ...the way you do that, I think, is you *deal with a partner that knows your business, can understand it probably as well as you do,* and be able to react to the needs almost before you have to pick up the phone and say hey, I need this, we noticed this the last time we were there and here is a suggestion where you ought to be going (Para 238).

As shown in this example, access to expertise goes beyond simply being able to ask the supplier questions and involves the expertise suppliers bring to the table and leverage when addressing the concerns of buying organizations.

Economic Impact

The economic performance of a buyer-seller relationship is a topic that is widely discussed in the literature (Anderson 1995; Bolton et al. 2004; Cannon and Homburg 2001; Gassenheimer et al. 1998) and that is difficult to measure. Economic impact is the benefits and costs associated with financial aspects of conducting business through buyer-seller relationship. It is through the relationship's influence on the buying and selling organizations that one begins to understand the economic value of buyer-seller relationships.

Economic value is difficult to measure because the relationship influences not only the efficiency and effectiveness of the purchasing operation, but it also influences the buyers' internal operations and the delivery of value to downstream customers. In many ways, the economic value of a buyer-seller relationship goes above and beyond price or the costs associated with a transaction. Economic value also emerges indirectly through manufacturing efficiency, marketing effectiveness, customer satisfaction, and other measures of organizational performance. When describing cost, Roger points out that the cost of a product goes beyond the purchase price and includes other related system costs.

> Roger:
> [There is a] tremendous amount of things involved in cost, not just the purchase price, the material, delivery, terms, accuracy of shipments, invoice, and all these things all boil down to system cost (Para 203).

Recognizing the importance and complexity of economic value, buyers seem to be enamored with obtaining a certain level of economic value from relationships with supply organizations. When describing the economic value of a relationship, buyers discuss the price of a product.

> John:
> ...from a negotiating standpoint *we don't just make carte blanche decisions based on price. If we can buy the material at a competitive price it keeps our productivity levels up* (Para 222).

++++++++++++++

> Mick:
> ...the *price* should be competitive (Para 15).

Additionally, buyers also acknowledge the costs of doing business with a supplier over time. According to Gordon, over time not only will prices change, but so will the costs associated with other elements of the supplier's product/service.

> Gordon:
> Well, *it may not be a price, but it may relate to cost* – [they] may also say and by the way not only are we raising the price of the $0.25 per pound product by 25%, but *we are making the upcharge for shipments of more than 100 miles from our plant $0.05 per pound instead of nothing or $0.01...and oh by the way we are going to charge a pallet charge $50.00 a pallet instead of nothing...and by the way you were paying us in 45-50 days was the industry norm - we now expect our money on the 25th day or you are cut off* (Para 208).

Recognizing the cost of doing business with a particular supplier, Jimmy suggests that one should also consider the supplier's competitive ability to maintain the existing price or cost structure.

> Jimmy:
> And then when you look at price...*can they, in your mind, maintain that price level? Not necessarily the price per pound, but can they, with their peer companies, can they stay at that level?*

An important element in Jimmy's observation is the buyer's recognition that expectations of economic value should be relative to the supplier's competition and environmental circumstances.

Combining the Expectations of Value Tells...the Rest of the Story

Throughout this study, it became apparent that the conceptualization of desired relationship value was much more complex than simply equating value with price or economic aspects of functional value. Buyers seemed to be anxious and more than

willing to delve into aspects of value which addressed elements of buyer-seller relationships that were not fully explained in economic terms. In many cases, buyers describe the non-economic aspects of relationships as being "value-added." Keith described "value-added" aspects of relationships as "other kinds of issues besides financial ones where they (supplier) can come through and make a positive impact (Para 101)." The buyer's inclusion of more subjective issues into the conceptualization of desired relationship value establishes a value equation which seeks to incorporate and balance the economic, functional, and social aspects of building, maintaining, and/or dissolving buyer-seller relationship. George (Para 115) describes this balance best by suggesting that buyer-seller relationships help provide a deeper understanding of the value equation.

> George:
> ...one of the reasons we do the partnerships...is to try to *put the other half of the equation together. Besides just price, we are looking at the value.* The price gets set at a negotiation and it is fixed for...until they raise it again (Para115).

As suggested by George, price is one aspect of value equation that buyers use to make sense of the expectations one has of a particular relationship. Combining economic value with the other types of functional and communal value seems to provide a more holistic understanding of the expectations of relationship value than economic value provides when isolated from the other types of value expectations.

It is important to note that a buyer's conceptualization of relationship value is driven by the business context and may involve one type of value or may combine two or more value types. For instance, the value of a relationship may involve the cost of

materials, product quality and expected performance of the supplier's product within my manufacturing process (functional value), and the ease of doing business with a supplier (communal value). Keith provides a description of a situation where his expectations of functional value address both economic impact and responsiveness of the supplier.

> Keith:
> Some companies still have trouble getting a decision, *getting to the right person [-] to make a decision and that's important to customers.*
>
> Interviewer:
> If you get a vendor who is responsive, what is the impact on your organization, what does it do for you?
>
> Keith:
> Helps us to move faster, grow faster, get on to the next situation, cements the relationship, improves the relationship....*But you can't overpay for it even though you like it* (Para 361).

While this example provides additional insight into multiple expectations of functional value, there are also situations where expectations of functional value are combined with expectations of communal value. Charlie describes this scenario in the following example by positioning price within a value equation that also includes communal value and other aspects of functional value.

> Charlie:
> *The price is never the major factor. You have to be relatively competitive* but we generally know very specifically what we want and as long as we can communicate it and they can understand it, and they can give us what we want and I can afford it.
>
> *I am not going out to look for someone else who will do it for me for 1%, 2%, or 3% cheaper because basically, you look for quality in materials and people.*
>
> *The tech service is a significant help....Then, you need a salesman that you can work with. In our business, you need a salesman that has some technical knowledge* (Para 33).

As evidenced in Charlie's example, the value of buyer-seller relationships is attached to multiple expectations of what buyers want to have happen in a specific kind of use situation, with the help of a buyer-seller relationship, in order to accomplish a desired purpose or goal.

While price is an important element of buyers' conceptualization of value, it is as if the establishment of a price isolates this value type (economic impact) from the other types of relationship value. Once a price is determined, the expectations of value shift away from economics and focus on how this product is going to perform and how the buyers and sellers are going to interact. As described by George, the importance of price as an indicator of value is often reduced because the performance of the product occurs independently of the establishment of price.

> George:
> *But [price] is almost independent of value because the price can be going up but the resin does the same thing* and hasn't changed or *we were able to improve the performance of the material without changing the price [and] thereby increasing the value* (Para115).

As described above, the expectations of value is a complex equation that involves not only price or economic value, but also involves other aspects of functional and communal value.

Overall, buyers in this study described expectations of relationship value as involving traditional, objective conceptualizations of economic value as well as more subjective, qualitative aspects of functional and social value. The combining of various value types appears to enable buyers to develop a more informed understanding of relationship value because they account for the traditional economic performance

measures, as well as other functional and communal aspects of buyer-seller relationships. Borrowing the words from Paul Harvey, it is as if communal value and functional value combine to tell "the rest of the story."

Relational Statement 2

Setting relationship expectations represents the buyer's efforts to define what they want to have happen in a specific kind of use situation, with the help of a buyer-seller relationship, in order to accomplish a desired purpose or goal. Relationship expectations address particular types of value which buyers seek to obtain from the use of a buyer-seller relationship. Buyers in this study expected to receive communal value and functional value from relationships with suppliers. The action of *setting relationship expectations* influences a buyer's *approach to supplier relationships* because expectations represent what buyers want to have happen in a particular relationship. Thus, expectations of relationship value serve as guides for how buyers will structure the way in which they work (relational routine) with suppliers.

> RS2: *Setting relationship expectations* clarify what the buyer would like have happen in a specific situation through the use of a buyer-supplier relationship. *Setting relationship expectations* establishes the objectives around which the buyer and seller will structure the way in which they work together (relational routine).

Establishing Relational Routines

Relational routines are recurring patterns of activities associated with the buyer's expectations of relationship value and occur across multiple organizations. Throughout this data, buyers continually described a desire for participants to understand each other's

expectations of the relationship and to subsequently interact according to these expectations. As described by Annie when "expectations aren't clearly defined, people, whether it be the supplier or the customer, they don't really understand what it is they're supposed to get or what's expected of them" (Para 41). The uncertainty associated with not understanding the relationship expectations is addressed by buyers through the use of relational routines which seek to define, organize, and facilitate the interaction between buying and selling organizations. In the following example, John discusses how his firm uses interaction with a supplier as a way to build a relationship with the supplier. In particular, John's firm discusses goals and expectations with the supplier and then starts interacting with the supply firm.

> John:
> We have some of them [relationships] that are set up formally at the front end where the parties have gotten together with a very *strategically thought-out plan of what we expect out of the relationship*...I think from our standpoint here *we have tried to deal and bring people in and discuss what our goals and expectations are and then try and develop them [relationships] from that stage forward*...

John continues by describing how the experience gained from doing business together enables the buying and selling firms to structure how they are going to interact or conduct business in the future.

> John:
> ...go a year or two with someone - make sure you are walking down the same path and *then it can be formalized into a contract or an agreement or however it is to be structured* (Para 245).

The structure John's organization begins to develop with the supply organization represent the relational routine or the recurring patterns of activities which are associated

with the buyer's expectations for what a relationship with a supply organization should entail, given a particular context.

Throughout this study, buyers expressed a need to not only manage relationship-oriented activities (governance), but to do so in a way that organized and fostered the desired interaction between buyers and sellers. It is through the development of relational routines that buyers and sellers can establish a mutual understanding of expectations associated with the relationship and can subsequently establish recurring patterns of behavior which foster the exchange of relational value. As shown in Table 4-7, the key properties associated with relational routines include continuity of interaction and routine visibility.

Continuity of Interaction

The continuity of interaction characterizes the stabilizing and flexible characteristics of relational routines that enable buyers and sellers to structure ongoing

Table 4-7: Definitions Associated with the Establishing Relational Routines Category

Category/Property	Definition
Establishing Relational Routines	The buyer's efforts to create recurring patterns of activities associated with the buyer's expectations of relationship value and occur across multiple organizations.
Continuity of Interaction	The stabilizing and flexible characteristics of relational routines that enable buyers and sellers to structure ongoing interaction in ways that are consistent across interactions and that foster proactive anticipation of each other's needs.
Routine Visibility	The perceived presence of a buyer-seller relationship that is operating outside of its expected parameters.

interaction in ways that are consistent across interactions and that foster proactive anticipation of each other's needs. The stability organizations experience when interacting with a specific supplier stems from the buyer's previous experience with the supplier and the participants' understanding the relationship expectations. Relational routines serve as stabilizing forces because they structure the various activities associated with the relationship. As participants engage in these recurring activities, the partners' learn how to interact with one another and begin to establish continuity in how they do business together. As explained by John, consistency in how one interacts with a supplier not only makes the buyer's job easier, but it also influences the buyer's financial performance.

> John:
> *The easiest thing for us*...is to *keep the same supplier day in and day out* - keep the faces the same. *Consistency with any business is the way you make money*...(Para 238).

The continuity of interaction also provides flexibility in the relationship by creating an environment where the participating firms can anticipate each other's needs and make proactive decisions regarding the exchange of relationship value. As described in this example by Eric, relational routines stem from the expectations of what the buyer wants to have happen in a relationship.

> Eric:
> *A sophisticated supplier is going to know your customer bases and obviously know your expectations.*

The supplier's understanding of these expectations enables them to establish routines with the buyer which builds on the firms previous history together and that facilitates the efficient exchange of value. Relational routines leverage the firms' understanding of

what they want to have happen by providing structure or a script upon which buyers and seller can act. As explained by Eric, a little information, like a company name, serves as prompt for a supplier to begin working through the structure that organizes a typical buyer-supplier interaction.

> Eric…
> …the best kind of an order you can place is where we will call up somebody and say, *Hi, this is so and so from Barbara Ltd.* (buyer's company). [They say,] ok, this is shipping to your customer's hands. It is shipping to your plant in this city and what are you looking for? *We tell them a standard product we ordered from you. [They say,] you want 2,500 pounds of N-34P. You want it to ship today by certain truckline. You will get it tomorrow.*

Eric extends this example by explaining how the continuity of interactions provides a certain knowledge base and thereby enables suppliers to act proactively without prompting from the buying organization.

> Eric:
> *...It is our order and they already know what it is going to be because we order it so many times.*
>
> Interviewer:
> They know everything. They know your needs...
>
> Eric:
> *Yeah. They have your code number down. They know who your preferred freight carrier, if that is applicable to you. They know what your receiving hours are. They know you. They are efficient. They know who likes to chit-chat on the phone. They know you just like to get the job done.*
>
> They know you. And knowing you is an important part of it. It comes with experience but there are a lot of new suppliers that we deal with too. They know you just like that. They take care of it right away (Para 352-360).

As reflected in Eric's example, knowing a buyer is important because it enables buyers and suppliers to work through a relationship structure efficiently because they are able to act on previous decisions and collected information. In essence, routines may improve interactions by facilitating better decisions and by preventing buyers and seller from rehashing previous decisions (recreating the wheel).

Routine Visibility

Buyers and sellers establish relationship routines as structures for facilitating the creation of relationship value within specific use situations. While the notion of routines at first appears to be fairly simply, these routines should not be misconstrued to only involve simplistic or standardized interactions amongst the participating firms. Relational routines naturally become more complex as firms shift the governance of a relationship from market governance to unilateral governance and ultimately to bilateral governance. Thus, relational routines are influenced by the use situation and will vary according to the expectations of the relationship.

Throughout this study, buyers expressed a need to **minimize** time spent thinking about issues that have been previously addressed through interactions with the supplier. Routine visibility reflects the perceived presence of a buyer-seller relationship that is operating outside of its expected parameters. Through the continuity of interaction, routines enable buyers and sellers to create recurring interaction. The recurrence of this interaction enables a buyer to perform their individual jobs without having to work on interactions with a supplier. As recounted by Linda, a buyer's perception of convenience

is influenced by the amount of work one puts into acquiring a product or service from a supplier.

> Linda:
> *The less I have to do to get material from him the better I'm going to be.* You know, *ideally I want the stuff to come in and I don't even know its here* and it is run through the system and nothing is changed. *All I know is that every thirty days my check's going out to him to pay for the stuff I used. That's convenience* (Para 369).

In Linda's example, convenience is equated to a situation where a supplier continuously supplies a buying operation in a way where the buyer does not even recognize the supplier's presence within his/her organization. There appears to be a seamless exchange of value between the buying and selling organizations. The continuity of these interactions enables buyers and sellers to develop the skills needed to be efficient and effective in performing the recurring activities associated with the relationship. Once these skills are developed, the routine itself becomes part of how the buyers and sellers conduct business.

Disruptions to relational routines, whether positive or negative in nature, typically signify the presence of a relational catalysts (discussed later in this chapter) and the need to allocate attention and resources to the relationship. In particular, buyers seemed to describe interaction with suppliers as ideally becoming "invisible" against the backdrop of how the buyers and sellers conduct business. Merely talking to a supplier may signal, in the buyer's mind, that a problem and/or opportunity exists and needs to be addressed before the routine can be reestablished. In the following example, George discusses the "invisible" and "visible" property of relationship interaction in two different situations.

First, he discusses the need for his firm to be invisible when interacting with downstream customers.

> George:
> *They [customers] actually want our product to be invisible. They don't even want to talk to us because if they are talking to us, that generally means they are talking about a compliant or some issue. They don't even want to consciously know our bottles are in their plant.*
>
> *They don't want to see bottles* - they want to see production equipment at the end of the day that said we filled 10,000 cases today and that is 103% of standard...and they are seeing 95% of standard and are saying why - and if bottles are coming up as the issue then *it all becomes visible and now it is a problem - you almost want the product to be invisible.*

Second, George discusses how a disruption in a relational routine raises awareness to specific supplier oriented circumstances and ultimately pulls the organization's efforts away from the work it should be performing at that particular time.

> [It is] same with resins [from suppliers]. *Our plants don't want to be talking about resin performance.* They want to be talking about packed out good material that is going into their warehouse and eventually going to the customer. *If they are aware of the resin, that means we have a quality problem* (Para 274).

Stemming from these examples, disruptions in relational routines appears to indicate not only that a problem exists, but also that the supplier is not performing according to expectations upon which the routine was established.

Finally, buyers are particularly cognizant of consequences associated with the visibility of routine activities. In particular, buyers perceive a routine operating within its designated parameters (invisible) as providing value because it does not create "hassle" for the participating firms. George describes a situation where a problem in a plant leads to management becoming sensitive or more aware of a particular input. Thus, he

explains that being invisible or not creating hassle for the buyer is a way of influencing the value one delivers to a buyer.

> George:
> *[The plant] will be aware of down time or rejection and then suddenly management becomes sensitive to resin* and that is generally a negative thing. *So the value is the lack of hassle*, at least at the manufacturing level (Para 274).

As demonstrated in this example, relational routines provide value by eliminating hassle through the creation interfirm activities and through the subsequent management of these activities. Disruptions to a relational routine (visible) call on the participants to invest time and effort in addressing the existing circumstance as well as resetting the existing routine or in establishing a new routine.

Integrating Existing Literature into Relational Routines

While the concept of relational routines is not directly addressed in the extant literature, it is supported by marketing and management research in the areas of relationship governance (Heide 1994; Heide and John 1992; O'Toole and Donaldson 2000) and organizational routines (Feldman and Pentland 2003; Feldman and Rafaeli 2002; Sinkula 2002). Combining these two research streams provides insight into how buyers and sellers seek to establish interorganizational stability and continuity by planning and ultimately guiding future relationship oriented activity. Brief summaries of the relationship governance and the organizational routines literature are presented in the following sections.

Relationship Governance

Williamson and Ouchi (1981) define governance as "a mode of organizing transactions." To supplement this definition, governance structure can be described as a framework within which the groundrules for participating in a relationship are formed between the participants. These groundrules set the stage for the relationship development process. It is important to note that as a framework, governance structures monitor the development of relationships. The development process is a key element of buyer-seller relationships and is readily discussed in the marketing literature (Dwyer, Schurr and Oh 1987; Ellram 1991; Fine 1991; Heide 1994; Wilson 1995a). Heide (1994) presents a framework (Table 4-8) that parsimoniously describes the activities involved in the development of buyer-seller relationships. The process can be succinctly described as consisting of three phases: initiation, maintenance, and termination.

Heide (1994) describes governance structures as existing on a continuum that is anchored by market governance and bilateral (nonmarket) governance. Market governance is indicative of relationships that are transaction oriented. The exchange of value is similar to that of an arm's length relationship where the involved parties are concerned with short-term outcomes and do not engage in mutual planning of future transactions. Market governance is similar to the concept of discrete exchange (Cooper and Gardner 1993; Heide 1994).

Relational or nonmarket governance begins when two parties move away from discrete exchange and begin to discover with whom they are exchanging value (Boyle et al. 1992; Heide 1994). Relational governance can be divided into unilateral and bilateral

Table 4-8: Dimensions and Forms of Interfirm Governance
Jan B. Heide (1994)

Dimension	Market Governance	Nonmarket Governance	
		Unilateral/Hierarchical	Bilateral
1. Relationship Initiation	No particular initiation process	Selective entry; skill training	Selective entry; value training
2. Relationship Maintenance			
2.1 Role Specification	Individual roles applied to individual transactions	Individual roles applied to entire relationship	Overlapping roles; joint activities and team responsibilities
2.2 Nature of Planning	Nonexistent; or limited to individual transactions	Proactive/unilateral; binding contingency plans	Proactive/joint; plans subject to change
2.3 Nature of Adjustments	Nonexistent; or giving rise to exit or immediate compensation	*Ex ante*/explicit mechanism for change	Bilateral/predominantly negotiated change through mutual adjustment
2.4 Monitoring Procedures	External/reactive; measurement of output	External/reactive; measurement of output and behavior	Internal/proactive; based on self-control
2.5 Incentive System	Short-term; tied to output	Short- and long-term; tied to output and behavior	Long-term; tied to display of system-relevant attitudes
2.6 Means of Enforcement	External to the relationship; legal system/competition/offsetting investments	Internal to the relationship; legitimate authority	Internal to the relationship; mutuality of interest
3. Relationship Termination	Completion of discrete transaction	Fixed relationship length, or explicit mechanisms for termination	Open-ended relationship

governance. These types of governance can be conceptualized as frameworks designed to replace the "invisible" hand of the market (Heide 1994; Macneil 1978). Whereas market governance does not specify specific skills for initiating a relationship, unilateral governance begins to show that as one moves away from discrete exchange, firms begin to select relationship partners based upon skill training (Heide 1994).

The maintenance of relationships under unilateral governance is representative of situations where the partners strive to maximize their individual potential through the development of a relationship. The partners have specified roles and rules to follow when adjusting elements of the relationship. Contractual arrangements are common under unilateral governance, but are not necessarily required. Unilateral governance structures usually include a fixed relationship length, so relationship termination is predetermined and consensual (Heide 1994).

The final type of structure is bilateral governance and it reflective of long-term relationships that involve overlapping roles and mutual planning. Bilateral governance can be viewed as the opposite of market governance in that the exchange activities are viewed as being common to the relationship and not unique to a particular participant. The relationships generally do not involve a predetermined relationship length, in that they are open-ended and mutually adjust the relationship as it develops over time (Bowersox 1990; Cooper and Gardner 1993; Heide 1994; Heide and John 1990).

Organizational Routines

While there is little empirical evidence on relational routines, the use of routines to structure organizational (within firm) activities is prevalent within organizations and

supported by the marketing and management literatures. As defined by Feldman and Rafaeli (2002), organizational routines are "recurring patterns of behavior of multiple organizational members involved in performing organizational tasks" (p. 311). These routines have often been described as computer programs or genetic material (Cyert and March 1963; March and Simon 1958; Nelson and Winter 1982; Pentland and Rueter 1994) for guiding organizational behavior because the routines serve to stabilize functional variability and to ultimately maximize functional efficiency and effectiveness (Feldman and Pentland 2003; Feldman and Rafaeli 2002).

Additionally, Feldman and Pentland (2003) assert that this stabilizing, ostensive aspect (schematic form) of organizational routines is implemented through the routine's specified action (performative aspect). The performative aspect of routines is important because it involves the action taken by people in specific situations when they are working within the organizational routine or in this case, the relational routine. As explained by John, the most "strategically thought-out plan of what we expect out of a relationship"…

> John:
> We have some of them (supplier relationships) that are *set up formally at the front end where the parties have gotten together with a very strategically thought-out plan of what we expect out of the relationship.* Sometimes those are the ones that fail the quickest [because the participants] have not given the partnership a chance.

…is ultimately influenced by the actual decisions and actions taken by the participating firms.

> For the lack of a better phrase it's going from the living in stage to the marriage stage - so *you really don't know the other persons you are dealing with [or] what their capabilities are.* You have heard what their

> capabilities are and they have great track records, but if they're based on hearsay rather than performance…sometimes those are the relationships that split up quickest (Para 245).

In John's example, the schematic form of the relational routine serves as a structure that will ultimately be tested as the participating firms perform their respective roles in the relational routine. By combining the ostensive and performative aspects, the routine provides stability through its structure and flexibility through its adaptability under changing circumstances.

Relational Statement 3

Establishing relational routines is the action involved in the establishment of recurring patterns of activities associated with the buyer's expectations of what they want to have happen in a specific kind of use situation, with the help of a buyer-seller relationship. Relational routines provide a structure within which buying and selling organizations can concurrently interact and govern the activities involved in doing business together. The action of *establishing relational routines* influences the *approach to supplier relationships* by structuring and managing the activities involved in the creation and delivery of the expected relationship value. The routines essentially operationalized the buyer's expectations of relationship value.

> RS3: *Establishing relational routines* provide the structure for governing the activities or work associated with the buyer-supplier relationship. The relational routine provides the parameters for interacting with a supplier.

Evaluating Relationship Value

While *setting expectations of relationship value* sets the stage for what should happen in a relationship, *evaluating relationship value* serves as an assessment of the buyer's experience in doing business with a supplier through a buyer-seller relationship. *Evaluating relationship value* is the buyer's evaluation of what happened in a specific kind of use situation, with the help of a buyer-seller relationship, while pursuing a desired purpose or goal. Similar to *setting relationship expectations*, *evaluating relationship value* is influenced by the context or use situation confronting the buyer at a particular time. Thus, it was not surprising to find buyers using different methods to evaluate relationships with suppliers. Four specific methods were identified in this data, but these methods should not be viewed as the only methods used in evaluating relationship value. The evaluation methods identified in this data include: developing an overall abstract judgment, measuring set criteria or standards of overall performance, comparing suppliers against other suppliers, and evaluating select or case-specific performance.

First, buyers assessed relationship value by drawing abstract judgments of the relationship's overall performance. In doing so, buyers appeared to offer more subjective evaluations of the supplier and the relationship. These evaluations are supported more by the buyer's knowledge and understanding of the relationship and supported less by discrete, objective measures of relationship performance.

> Keith:
> *I would give [supplier's name withheld] pretty high marks* because they have staying power, they are good sized, they also have continuity in their employees over a period of time. *They appear to be loyal to their employees which suggests to me that they won't have any problem being loyal to their buyers (let's see what am I) loyal to the customers;* we are a customer of [supplier's name withheld] (Para 86).

Note in this excerpt how Keith uses broad, subjective terms like "pretty high marks" and "appear to be loyal" when evaluating the performance of this supplier. When making abstract overall judgments, buyers also use expectations of relationship value or "what should have happened" to subjectively evaluate relational performance. It is through this comparison that buyers were able to establish if a relationship was successful or unsuccessful in delivering relationship value. In the following description, George does not feel any of his supplier relationships are successful...

> George:
> I don't think any of them [supplier relationships] are really successful...

...because the participating firms have not connected or agreed upon what is expected of the relationship between firms.

> George:
> *...we are not really connecting on a longer-term perspective*. We shouldn't be having these short falls - this should not have happened. Maybe we had communicated our future growth [and] maybe they declined to respond to our anticipated needs. That is a fundamental disconnect.
>
> *Day-to-day business we may have cordial relationships, but in terms of being able to have the material there and the right quantity, proper pricing, when we need it, we are missing big time. That is not very good* (Para 43).

The broad, overall evaluation of buyer-seller relationships described in this example is indicative of the type of evaluations used by many buyers in this study. While the overall judgment does not provide objective measures of performance, it does provide insight into the buyer's perception of performance. The subjective nature of performance is

important because it draws upon the buyer's knowledge of the relationship as well as the buyer's knowledge of the context within which the relationship is occurring.

Second, buyers evaluated the performance of relationships with suppliers by measuring set criteria or standards of overall performance. In some situations, buyers attempted to understand supplier performance by establishing formal process that incorporated more objective and measurable criteria into the evaluation. In the following example, George describes his firm's process of establishing and using evaluative criteria to evaluate the performance of suppliers. This process starts with establishing objective criteria according to the internal needs of the operations.

> George:
> ...our plants are the customers...so we asked them years ago what is important in our resins - what do you need and what do you expect from our material to consider it to be quality material.

Recognizing that evaluative criteria will vary across firms and contexts, George describes several criteria that his firm uses to evaluate the performance of a supplier.

> George:
> *One is...consistency.* Because they (buyer's plant) want the material to behave the same at all time so they don't have to do anything to their machines...[within consistency, there are] two categories they want to have *consistency short term and long term - so we rate them (suppliers) on that.*
>
> *We rate them on the ability to make a quality product...*
>
> *Is the tech service adequate, knowledgeable, helpful, responsive?*

Using these criteria, George's firm begins the process of evaluating each supplier.

> *...the plants just rate whether or not they have a problem with any of those categories since the last rating...our rating (across criteria) is weighted equally because if any one of those areas are a problem it's a critical problem....* So, from the plants point of view, they don't want to distinguish weight at this stage (Para 119-123).

As described in the last example, critical issues appear an area where many buyers utilize objective measures of performance. Objective measure are effective in determining whether a particular aspect of the relationship is operating appropriately and enables buyers to establish clear criteria of adequate or inadequate performance.

While objective measures may provide clear criteria for evaluating performance, these criteria are often limited in terms of holistically assessing the complex dynamics of buyer-seller relationships. Due to the nature of these relationships, some buyers are combining objective measures with subjective assessments to develop a deeper understanding of relationship value. When discusses how she evaluates suppliers, Annie provides insight into the use of both objective and subjective measures. Annie uses objective measures to assess items like product quality.

> Annie:
> ...I'd say with an existing supplier, *I look at how many lots, pieces, pounds, whatever has been rejected in the last year.*

The supplier's performance on objective measures raises other issues that Annie assesses subjectively.

> Annie:
> *If there was any rejects, which is very common, I look at the response to that.* You know, how timely was the corrective action?...did they contain it properly?...So, if there is an issue, how quickly we deal with the containment.

The use of subjective measures enables buyers to expand their assessment to include the feelings or communal value associated with a specific supplier. Annie demonstrates this expansion of assessment by reviewing historical notes of supplier related issues as a way of getting a "feel" for the supplier's attitude.

> Annie:
> The only thing that I am concerned with right then and there is not the fact that we have had a failure but I want to make sure my customer doesn't get it....So, I look back and see how that was and...if I'm fortunate enough to have been involved...*I keep notes on every phone call - just like throw little scraps of paper in my file and I'll go back through that stuff to see if I can get a feel for, you know, the attitude.*

The "feel" Annie describes in the example above appears to represent the conclusion she draws regarding the performance of the supplier. While the summary judgment is subjective, it should not be viewed as a knee-jerk reaction regarding what one thinks of a supplier. This judgment was fueled by the use of objective measures and subjective evaluation of the supplier's performance.

Third, buyers also evaluate relationship value by comparing the performance of one supplier against the performance of other suppliers. The assessment of multiple suppliers at the same time appears to be effective because it establishes a ranking of suppliers. Additionally, comparisons enable buyers to identify aspects of performance that were overlooked or were relatively undetectable.

> Keith:
> ...we were disappointed in a couple of respects. When we first got started, we just had - real high expectations of great service and everything just wonderful with Supplier A. But we never had a frame of reference before because we really weren't talking to anyone except Supplier A. Then *we started talking to Supplier B, Supplier C, and some of the others, we found that by comparison, Supplier A is a very rigid, inflexible, ponderous supplier. It takes forever and a day to make a decision* (Para 68).

By comparing a supplier against the performance of other suppliers, Keith was able to identify areas of deficiency in Supplier A that went unnoticed before the introduction of other suppliers.

Finally, relationship value may be assessed within a narrower scope by evaluating a supplier's performance on a specific task. Since the environment within which the buyer-seller relationship takes place is dynamic, some situations receive heightened attention from the buyer and are evaluated more rigorously. As explained by Elton, the evaluation of case specific performance is important because the outcomes of these situations may improve or impede future interactions between buyers and sellers. In particular, Elton's company worked with a supplier to reduce transaction costs.

> Elton:
> ...we have made a lot of progress and we have knocked a lot of these transaction costs out.

Because of the success experienced on this particular task, Elton's firm and the supplier created additional opportunities to improve how they work together.

> Elton:
> We are all EDI now....We actually took their catalog and dumped it into our system.
>
> So now we have eliminated the requisitioning process. The requester can actually go online to the catalog and make his own order out and send it on over (Para 342).

Additionally, the performance of a supplier in a specific situation may also serve as a proxy for the supplier's overall performance. One situation that seemed to draw the ire of buyers dealt with the willingness of suppliers to provide buyers with advanced notice of potential problem areas. As explained by Linda, the willingness to provide advanced notice or the failure to do so influences the buyer's judgment of whether they want to work with a supplier or to not work with a supplier.

> Linda:
> ... if a particular problem comes up - and again its how the vendor is dealing with us.

> If he has taken steps to *minimize the problem from us or hides the problem from us, and we find out that it was deeper...and he had a lead time to let us know and get us involved, then that's going to upset us.*
>
> *But if he has come forward and said hey guys*, the number that just came off my process is this and I don't know why its doing that, I got some inventory but I don't know what to do with it.... Let me tell you what we know about our process, and do you guys have any ideas?....*We'll be glad to work with somebody like that* (Para 178).

In reviewing Linda's example, it is important to note that single incidents represent what is going on at a particular moment in time and may ultimately serve as a proxy for the overall performance of the supplier in delivering relationship value.

Relational Statement 4

Evaluating relationship value is the buyer's evaluation of what happened in a specific kind of use situation, with the help of a buyer-seller relationship, while pursuing a desired purpose or goal. In this study, buyers utilized different methods to evaluate relationships with suppliers in different situations. These methods included: developing an overall abstract judgment, measuring set criteria or standards of overall performance, comparing suppliers against other suppliers, and evaluating case-specific performance. The action of *evaluating relationship value* influences how buyers *approach supplier relationships* because evaluation provides insight into how the relationship with a specific supplier is currently performing. Additionally, the evaluation of relationship value produces judgments of supplier performance that will influence the future direction of the buyer-supplier relationship.

RS4: Evaluating relationship value provides insight into the performance of a specific supplier relationship. The buyer's evaluation of relationship value also influences how the buyer will act or approach the supplier relationship in the future.

Recapping the Approach to Supplier Relationships Process

Approach to supplier relationships is the procedural engagement of buying organizations in relational behavior with supplier organizations for the purpose of addressing the demands of specific use situations. As mentioned previously in this chapter, the process is a combination of how the buyer leverages relational values, sets relationship expectations, establishes relational routines, and evaluates relationship value. The role of these components within the *approaching* process is summarized in the following relationship statements.

RS1: *Leveraging of relational values* influences the approaching process by injecting the buyer's beliefs regarding buyer-seller relationship as the base upon which relationship decisions and subsequent behavior will emerge.

RS2: Setting relationship expectations clarify what the buyer would like have happen in a specific situation through the use of a buyer-supplier relationship. Setting relationship expectations establishes the objectives around which the buyer and seller will structure the way in which they work together (relational routine).

RS3: Establishing relational routines provide the structure for governing the activities or work associated with the buyer-supplier relationship. The relational routine provides the parameters for interacting with a supplier.

RS4: Evaluating relationship value provides insight into the performance of a specific supplier relationship. The buyer's evaluation of relationship value also influences how the buyer will act or approach the supplier relationship in the future.

Blending these four components together into the *approaching* process enables buying organizations to develop, maintain, and/or dissolve buyer-seller relationships that can deliver value to the participating organizations.

The process of approaching supplier relationships addresses "how" buying organizations develop, maintain, and/or dissolve buyer-seller relationships. However, it does not address "why" buyers seek to develop, maintain, and/or dissolve buyer-seller relationships. The issue of "why" buyers engage in relationships with suppliers was alluded to in the definition of the approaching process by positioning the process within the parameters of a particular use situation. The use situation being addressed by the approaching process is described typically as recognized circumstances or events which prompt buyers to approach supplier organizations and engage in relational behavior. These events or circumstances are addressed in the following section.

Recognizing Relational Catalysts

Recognizing relational catalysts is the buyer's recognition of business situations or events that trigger the approaching supplier relationships process. The recognition of these situations is important to understanding how buyers develop, maintain, and/or dissolve supplier relationships because the variation in how buyers approach relationships appears to emerge from the situational context within which the supplier relationship is embedded. These situations or events are called catalysts because they stimulate or ignite relational behavior by bringing the relationship with a particular supplier to the attention of the buyer and/or the seller. Examples of catalysts in this study included circumstances

like shortages of raw materials, unresponsiveness of suppliers, and market opportunities to expand one's business.

While relational catalysts are discussed in every interview within this study, the research participants did not use a specific term to describe situations that spark one's engagement in buyer-seller relationship. The lack of an emic term prompted the author to identify comparative situations which might provide further insight into this phenomenon. The context of this study, chemical industry, provided the ideal comparison context. In this study, participants described certain raw materials as being catalysts within the manufacturing process. These raw materials were chemicals which bring together other chemicals and enable these other chemicals to react to one another. As described by Cho (2003, p. 1684), "to be a good catalyst, a substance must steer a middle course. It must bind with other molecules tightly enough to help them come together but loosely enough so that they can react with one another." Although buyer-seller relationships do not represent chemical reactions, they do represent the blending or combining of different organizations. Within these relationships, catalysts are not chemical agents, but rather business situations or events that stimulate relational behavior by bringing the relationship to the attention of the buyer and/or the seller.

From the buyer's perspective, there are several properties or components that comprise the relational catalysts category. The properties of relational catalysts include timing, magnitude, and source. These properties and their corresponding dimensions are outlined in Table 4-9 and described in the following sections.

Table 4-9: Relational Catalysts Properties and Dimensions

Catalyst Properties	Related Dimension(s)
Source	Instigation Point
Magnitude of Catalyst	Major vs. Minor
Timing of Catalyst	Anticipated vs. Surprising

Catalytic Sources

Although catalysts draw attention to the relationship, they can present drastically different challenges to buying and selling organizations. Generally speaking, relational catalysts can originate from a multitude of business issues. The source or instigator of a relational catalyst may range from the buying organization, selling organization, downstream customers, supply chain partners, macroenvironmental issues, etc. Within a typical buyer-seller relationship, the involved parties will produce catalysts that are inherently tied to their respective role as buyer or seller. In other words, the roles of buyers and sellers are different and can potentially contribute different challenges for managing interfirm relationships. As a buyer, Harry describes how the implementation of a new quality initiative will influence his firm's relationship with a supplier. The new strategy (catalyst) spurs the buyer to reevaluate its relationship with Eastman by exploring areas of opportunity that span the boundaries between buying and selling firms.

> Harry:
> Our people in Manchester are going to be more and more involved because *we got a new strategy*...We're going to get more and more involved to improve our quality. We go through the same thing at

Eastman. The people at Manchester are getting more involved in the resin. *How does Eastman fit into our organization? How can Eastman help us? How can we help Eastman?*

The variation in catalytic sources seen in the data is tied to the catalyst's origination point within the supply chain. As a means for capturing the variation in these sources, the dissertation researcher combined them into the following four groups:

1. Product catalysts
2. Supplier catalysts
3. Buyer catalysts
4. End-customer catalysts

While each group offers multiple catalytic sources, three catalysts were identified as being the most prevalent sources discussed in the data. These sources include product quality, raw material availability, and managing catalysts. For a comprehensive listing of catalytic sources, please refer to Table 4-10.

Timing of Catalysts

In the business world, timing is everything. The timing of relational catalysts focuses on the circumstances surrounding the evolution or surfacing of business events that stimulate relational behavior. In particular, timing represents the coming together of a buyer's knowledge of a particular situation and their preparedness for dealing with this situation. In the following passage, John recounts a situation where a buying organization's expansion efforts are met by a shortage in the supply of raw material.

John:
I think they [supplier] need to understand where the growth is in the business…I think *they need to understand from a timing aspect.*

I don't believe the resin manufacturers did a good job in general *anticipating the growth demand* but on the other side, the end user kept

Table 4-10: Sources of Relational Catalysts

Catalytic Source	Interview Excerpts
Product	
Quality	...we told them that one of the resins heat faster and they developed ...(name withheld) introduced the new green material that new green resin that was degrading in our injection process quicker than the previous materials and other competitive resins.
Raw material availability	The shortage is not just recently. It happened last year, too. It seemed to happen last year in the summer months because *the demand of PET is up more in the summer months than in the winter months, and they told us we were going to get so many pounds and all that, and then just died on us.*
Supplier	
Managing catalysts	...they handled a relatively small problem in a poor way, how are they going to handle a big problem.
Inventory management	...we want to make sure that the products that have troubles or anticipated troubles getting, we are guaranteed inventory. We are an important enough customer to those people, they are going to guarantee inventory.
Shipping issues	We want it to be shipping from the same locations. One of the worst things you can have is...they say, this week they are shipping from New Jersey; next week from Chicago; next time stock from Cleveland; next time up from Atlanta; that is a pain in the neck.
Anticipating my (buyer's) customer's needs	...if the supplier knows to bleed downstream...and he can anticipate what's going to happen - what's going to happen to our customers and what he might need to do to change his process.
Providing expertise	..if some of our additives suppliers can help us figure out how to run higher rates through existing equipment...that's going to be of help.
Pricing issues	...when prices go up rapidly, we have to talk to management and try to understand what kind of pressures the suppliers are under, and why we are getting those kinds of prices.
Employee turnover	...they have a tendency to rotate salesman in and out too quickly to develop any concept of longevity.

Table 4-10: Continued

Catalytic Source	Interview Excerpts
Buyer (Internal)	
Increasing customer demand	...the supply from Eastman and Shell has been consistent. *Our demand has gone up* and the supply hasn't risen to meet the demand so that has created a short fall.
Changing organizational processes	I mean we have to get smarter and you know make a better bottle cheaper...Once again, that's where I see us working very closely with our suppliers. I don't know that we're equipped to do that right now.
Making downstream (customer) promises	We promise the industry that we service 24-hours lead times, if necessary....So we are looking for a supplier that can co that.
Buyer's Customer	
Customers becoming more demanding	We will be dealing with a slightly more sophisticated customer, a more demanding customer, and I know that is going to mean that we are going to have to demonstrate and document quality.

> things too close to the vest announcing we were going to convert 600M units to PET from glass *so suddenly there is no resin for it.*
>
> ...and *understanding the whole timing issue on when things are going to happen. I think that is why we all got caught short on this conversion* (Para 150-4).

As demonstrated in this example, timing describes the coming together of the buyer's growing demand and the supplier's inability to fulfill this demand.

Although there are situations where buyers have prior knowledge of events, there are also situations where buyers do not have prior knowledge and feel "surprised" by their occurrence. As explained in this study by Ron, the timing of relational catalysts can vary from "anticipated" events to "surprise" events. Ron describes this variation by first recalling a supplier's efforts avoid surprising circumstances by communicating anticipated changes that may affect the buyer's process.

> Ron:
> More of what was happening was they were building the new facility and...*the process was going to be slightly different than what they had been doing and [they were] keeping people [buyer's organization] informed as to what was anticipated as specification.*
>
> ...our people...were aware of the problems [and]...changes that were occurring so they could address them within our own operations...*this was anticipated*...(Para 98).

Then Ron positioned anticipated circumstances against surprise circumstances as a way to describe the continuum of variation involved in the timing of relational catalysts.

> Ron:
> [Because the problems were anticipated, there was]... *no surprise for them [buyer's employees]. They knew these changes were going to occur* (Para 98).

As demonstrated in this example, buyers describe the timing of catalysts along a continuum from anticipated to surprise events. A key element which distinguishes surprise events from anticipated events is the communication of the events occurrence to the buying organizations. From the buyer's perspective, surprise events appear to occur without any advanced communication or notice and anticipated events appear to occur after the buyer and seller recognize and communicate its potential occurrence. Each of these two extremes will be described in the following subsections.

Anticipated Catalysts

Anticipated catalysts are business situations identified prior to their occurrence and that can potentially impact the relationship between a buyer and a seller. The identification of these events provides buyers and/or sellers with time to prepare a

response. By anticipating events, buyers can develop a plan and act before the event actually occurs and impacts their firm. For instance, Eric describes a firm's anticipated trouble with short supply:

> Eric:
> ...*we want to make sure* that [with] the products we have trouble [getting], or *anticipated trouble getting, we are guaranteed inventory* (Para 292).

As revealed in this passage, the anticipation of trouble when purchasing product enables the buying firm to develop a plan for guaranteeing they have inventory when it is needed.

It is also important to note that anticipation of specific situations may enable buyers to approach relationships with suppliers in ways that may prevent the situation from occurring or that may produce specific consequences. While the amount of forewarning may vary, the buyer's ability to anticipate influential events enables them to leverage their organizational and interorganizational resources in managing relational catalysts. Charlie describes the sequential timing of anticipating events and planning as follows:

> Charlie:
> This plant can make one million preforms plus per day easily. So, if we have to shutdown because we ran out of resin, no matter whose fault it is, that is a significant amount of bucks plus the shutdown costs all kinds of money to start-up.
>
> Interviewer:
> *So being told about these things in prime time to anticipate helps you plan for that.*
>
> Charlie:
> *That is one of the biggest things I think Eastman is very good at giving you...anticipation. Anticipate what is going to happen* (Para 214-18).

As represented by Charlie in the example, the anticipation of catalysts is important to buying organizations because it enables them to establish a plan and to act proactively

before the catalyst occurs. Additionally, the assistance of a supplier in anticipating events that may impact the buyer's operation appears to influence not only the action which needs to be taken, but also the buyer's evaluation of value received from this particular relationship.

Surprise Catalysts

A surprise catalyst occurs without anticipation. Surprise catalysts do not provide the buyer time to plan. Thus, the timing of surprising catalysts creates tension for buyers because they are facing evolving circumstance and pressure to act quickly. In the following passage, Linda recounts a situation where a process using new equipment (from a supplier) did not perform exactly as promised and created surprising circumstances.

> Linda:
> ...when the process started up, *it (new equipment) didn't do exactly [as promised]... we were surprised by some of the things that happened in the process* (Para 194).

The surprise of ill-performing equipment in this passage creates tension because not only is the buyer's process not running, but is also involved in a complex problem involving the supplying organization.

Given the tension created by surprise catalysts, it is only nature for buyers to strive to avoid these types of situations. Throughout this study, buyers voiced concern for surprise catalyst and the desire to avoid these situations. The timing of these catalysts is such that it interrupts both the organizational and relational routines because buyers are not anticipating its occurrence. As described in the following passages by Ron and Phil,

buyers expect suppliers to assist in avoiding surprise catalysts by sharing information and keeping the buyer abreast of any situation that may impact the buyer's operation.

> Ron:
> *The last thing I want is a surprise* when it comes to supply reliability. I want to know what is going on in the marketplace - everything that is going on. Nothing major is happening - say hey, everything looks fine. But if all of a sudden titanium dioxide is coming in short supply, *I want to be aware of that so that I can, you know, keep my management aware so all of a sudden something doesn't become a surprise* (Para 75).
>
> ++++++++++++++++
>
> Phil:
> ...But if they've got a problem, *we need to know up front so that we can make some adjustments on our end in our work area.*
>
> Don't let us find out the shipment didn't get delivered today, *tell us in advance*, tell us that the trucker got delayed and that it will be in several hours late...*there are no surprises* (Para 83).

In these passages, Ron and Phil seek to avoid surprise catalysts, because the timing of its occurrence impacts a buyer's ability to plan and operate their business efficiently and effectively.

Magnitude of Catalyst

Within business relationships, buyers appear to categorize catalysts by evaluating the potential impact the catalyst will have on their firm and/or the relationship. Coupled with the timing of the catalyst, magnitude provides the buyers with an understanding of the catalyst and a basis for starting their planning processes. Essentially, magnitude describes the breadth and depth of the catalyst's impact upon the buying firm and potentially upon other supply chain members.

Within the Eastman Chemical interviews, participants indicated that catalytic magnitude varied from minor (day-to-day) issues to major (strategic) issues. Minor catalysts are events that have little impact on the buyer's operation and/or the relationship with a supplier. Major catalysts, on the other hand, are events that have broad-reaching impact on the buyer's firm and/or the buyer-seller relationship. In describing supplier-related issues, George notes that the continuum for assessing the magnitude of a relational catalyst is anchored by the major (strategic) and minor (day-to-day) perspectives.

> George:
> On day-to-day transactions - maybe I should look at two perspectives. *The strategic, longer-term thing, which the [supply] shortage is a classic example - major problem.* And then, *on a day-to-day transactions - the day-to-day transactions are pretty healthy in the sense that we get the stuff on time, they meet the commitments - no problem there* (Para 47).

Throughout the interviews, respondents described catalysts through a variety of different examples. Through the interpretative process, the author of this dissertation recognized that respondents used "minor" and "day-to-day" interchangeably to describe catalysts that did not have a deep impact on their firm. Likewise, respondents used "major" and "strategic" interchangeably to describe catalysts that had deep impact on the firm. The author chose to describe the variation in catalytic magnitude as "major" and "minor" because these titles not only describe the severity of the catalyst's impact, but because they also communicate the urgency needed in addressing the catalyst. In doing so, the dissertation researcher combined the descriptions of "minor" issues with those of "day-to-day" issues and the descriptions of "major" issues with those of "strategic" issues.

The following sections on minor and major magnitude will provide further insight into the variation of catalytic magnitude.

Minor Magnitude

As noted above, the impact of a catalyst on participating firms varies according to the situation at hand. Minor catalysts represent the lower end of the magnitude continuum in that they do not influence the buyer's overall operation and that one can address them in relatively short order. This does not mean they are not important to the participating firms. It simply means that while these catalysts do interrupt the relational routine, buyers and sellers can address these circumstances in relatively short order. In essence, the impact of these catalysts on the buyer's operation and/or the relationship is minor and can be resolved quickly. For instance, Gordon (Para 308) states, "a *minor* problem would be solved at the local level between the local salesperson and the local purchasing agent." Similarly, Mick (Para 85) says "...just to know how many pounds, to know what price, and when you need it, and do you want it by truck or railroad...the *day-to-day* sales - service kinds of things." In these two examples, the catalysts are minor and do not proceed beyond the local level of the organization because salespeople and purchasing agents involved are capable of addressing the necessary issues.

Major Magnitude

Although minor catalysts have an impact on the lower levels of the organization, major catalysts offer circumstances that can potentially affect the direction of the buyer-seller relationship and/or the buyer's operation. Roger describes "major" as being

representative of the strategic impact or influence a catalyst can have not only on the future interaction between firms, but also on the future direction of Roger's firm.

> ...because we go with fairly few suppliers, we are very dependent on them. We have one supplier of optical brightener...we don't have a qualified back-up supplier, because that is not the way we operate. We have alternatives we can go to, but it would be a *major crisis* in our company.
>
> If we have a *supply problem [relationship with supplier], it's major...it could be a total shutdown of our plant - inability to run the products that we need to make.* We could operate in a crisis mode and prevent that, but it would be a *major disruption to the business* (Para 55-59).

As reflected in this passage, major catalysts are circumstances that are associated with a particular supplier relationship and that can potentially disrupt the relational routines and a buyer's overall operation. The impact of major catalysts extends beyond the tactical level (minor/day-to-day) and into the strategic levels of the organization.

Relational Statement 5

Relational catalysts are business situations or events that stimulate relational behavior by bringing the relationship to the attention of the buyer and/or the seller. These situations are described by their timing, magnitude, and source. Timing represents the coming together of a buyer's knowledge of a particular situation and its' preparedness for dealing with this situation. Magnitude provides the buyer with an understanding of the potential impact and a basis for starting its' planning processes. Catalytic source refers to situational context or the origination point of the situation. Collectively, the source, magnitude, and timing of catalysts create circumstances that warrant the attention and subsequent interfirm action of buyers and suppliers.

RS5: *Recognizing relational catalysts* raises the buyer's attention to relationship oriented circumstances and prompts the *approach to supplier relationships* process.

The Procedural Nature of Approach to Supplier Relationships

The overriding research question for this study asked: How do buying-firms approach opportunities to develop, maintain, and/or dissolve buyer-seller relationships with their suppliers? In order to understand "how" a buyer approaches a relationship, the author explored the interaction between the four key categories (leveraging relational values, setting relationship expectations, establishing relational routines, and evaluating relationship value) of *approach* and the influence of recognizing relational catalysts on the *approaching* process. The characteristics of each category and the subsequent interplay amongst these categories enable buyers to develop an approach for engaging in a relationship with a supplier in a particular situation. As shown in Figure 4-3, one's relational approach is context driven (relational catalyst) and emerges from the interaction amongst the four key categories. Essentially, the way a buyer approaches a supplier relationship is influenced by circumstances currently confronting the buying organization and/or its relationship with a specific supplier.

The emergence of one's relational approach is embedded within the process of relational exchange. As described in Chapter One, relational exchange transpires over time and each exchange is analyzed by the participants with respect to its history and its anticipated future (Macneil 1980). Relational exchange is a broad concept that begins to occur when an exchange involves nontransactional issues such as performance by individual parties, prolonged dependence, cooperation, and expectations of

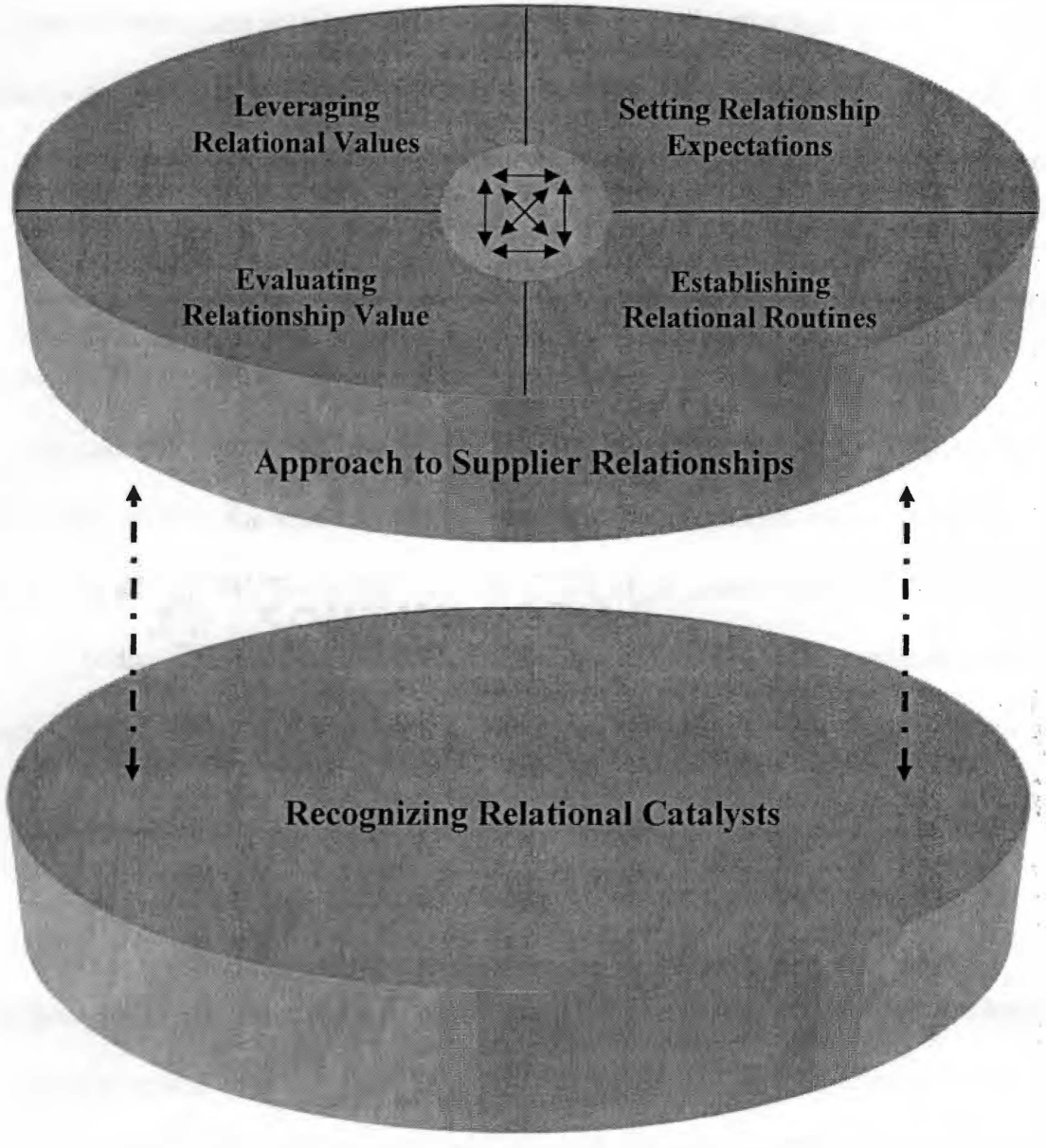


Figure 4-3: The Influence of Recognizing Relational Catalysts on Approach to Supplier Relationships

trustworthiness (Dwyer et al. 1987a). While this study does not provide empirical evidence of causal relationships amongst the major categories, it does provide evidence of relationships based upon the timing and location of the phenomena. Utilizing the timing and location of naturally occurring events, the dissertation researcher was able to develop an understanding of how the four key categories and relational catalysts combine to influence the approach buyers develop for engaging in relational behavior.

Timing and Location of Key Categories

The *approach to supplier relationships* process is complex because it does not have a definite starting and ending position. The process is dynamic in that naturally occurring events can alter the interaction between the key categories. For the purpose of understanding the phenomena, the author of this dissertation will describe the process in a sequential manner. However, it is important to note that the sequence described represents one possible scenario and should not be misconstrued to be the only possible scenario.

Within the marketing literature, there are several models of relationship development (Dwyer et al. 1987a; Heide 1994; Wilson 1995). While these models are useful in describing the activities associated with buyer-seller relationships, the models create the impression that relationships develop in a linear manner as time progresses. The linear nature of relationship development was not supported in this study. Throughout this study, variation in relationship development, maintenance, and/or dissolution appeared to be more focused on what buyers wanted to happen in the future

(given the history and current use situation) rather than adding the next logical step on the relationship's historical ladder.

The *approach to supplier relationships* process begins with the buyer's *recognition of a relational catalyst*. For discussion purposes, it is important to note that the recognition of this catalyst occurs at a particular point in time, i.e. Time 1 (T1). As previously described, catalysts are events that bring the buyer-seller relationship to the attention of the buying organization. These events may vary in regards to timing, magnitude, and source. The most prevalent relational catalyst discussed in these interviews focused on the availability of supply and in particular, the availability of PET. At the time of these interviews, PET was in short supply. As described by Tremblay, the shortage in raw material is causing the buyer's production operation to shut down.

> Bob:
> *We are not getting enough (PET) - we are shutting down production to accommodate the short fall…*
>
> …we have more conversion capacity. We actually have more equipment so that [shortage] really creates more demand which is not being met. So that is the short fall. The supply from [name withheld] and [name withheld] has been consistent. *Our demand has gone up and the supply hasn't risen to meet the demand, so that has created a short fall* (Para 19).

The lack of PET in this example raises the buyer's attention to the situation and initiates the process of seeking other sources of supply. While their existing suppliers are consistent, they simply do not have enough supply to meet the buyer's need and thus, force the supplier to look for supply from other sellers.

Recognizing the impact of the supply shortage on the firm's operation, buyers begin approaching supply organizations by leveraging the organization's relational values. This aspect of the approaching process focuses on the influence of relational

values, or the centrally held, enduring core beliefs or tenets a buyer has about business relationships, on how a buyer engages in relational behavior. Relational values are built upon the buyer's organizational values and help guide the buyer's behavior in a particular context. In *leveraging the organization's relational values*, the buyer begins to analyze the nature of the catalysts within the context of what its organization believes is appropriate for the development of relationships with suppliers. For example, a supply shortage in the chemical industry is important, but not so important that companies would trade-off its values to acquire the limited PET. As explained by Linda, buyers believe it is important to be a responsible environmental citizen. Given this belief, her company would not do business with any supplier that did not also believe it is important to be environmentally responsible.

> Linda:
> *We want to be responsible environmental citizens. And we won't do business with somebody that we don't feel like is following the state guidelines or U.S. guidelines on environmental and health issues....we would not buy for anybody that we thought was not environmentally responsible.*

As reflected in this study, the leveraging of relational values in relationships assists the buyer in determining the parameters within which it will engage in interactions with a supplier.

While leveraging relational values provides parameters for the buyer to follow, these relational values do not establish what should happen in a given context. It is through the analysis of relational catalysts that buyers begin to *set relationship expectations*, or what the buyer wants to have happen in a specific use situation, with the help of a buyer-seller relationship. The buyer's expectations of the relationship stem

from the demands of the context or circumstance it is currently facing in the marketplace. Continuing with the previous example regarding a shortage in raw material, buyers approach this catalyst by discussing issues like inventory allocation and stability of supply. In the following passage, John discussed his expectations of how suppliers should allocate inventory across their customer base.

> John:
> I think the *biggest thing that I would look for in a supplier* is that they look at people who have been long-term customers and consider the profitability of exporting material off shore versus keeping domestic customers - not considering the fast buck today [inventory allocation] and *looking down the road five years as to who are going to be major users of the material and making sure those people can sustain their business through a difficult period of time.* That is probably the biggest hoop they are going to have to jump through.

The previous passage demonstrates a buyer's effort to address a catalyst by establishing expectations for what should happen, in regards to the supplier's inventory allocation, within a relationship with a supplier.

Given the buyer's expectations for what should happen in a relationship with a supplier, it is only logical for the buyer to structure the relational activities around these expectations. Relational routines are recurring patterns of interdependent activities associated with the buyer's expectations of how the buyer-seller relationship will address the relational catalyst. As noted earlier in this chapter, routines are established to govern the activities and to produce stability within the interaction between participating firms. As depicted by Andrews in the following passage, routines establish a script for guiding the action of buying and selling firms.

> Andrews:
> See our plant has…an inventory control procedure for raw materials, and the system works….*We've had some consignment arrangements with*

> *some vendors and - they just put material into our plant and our folks call them up when the inventory gets down. And as long as there's no quality issue or no supply issue then those things [inventory] just continue to run* (Para 58).

The routine in this passage was a consignment arrangement where buyer and seller performed actions accordingly until the routine was interrupted by the presence of a circumstance (catalyst) like product quality or supply shortage.

The final phase of the relational exchange process involves the assessment of value received from the buyer-seller relationship. Received relationship value is the firm's evaluative opinions or feelings about the actual value experience relative to the firm's desired relationship value. While the author anticipated finding the use of relational expectations as the logical comparison standard for evaluating relationship value, there was a lack of interview depth in the area of comparison standard selection in performance evaluation. However, these buyers did provide insight into the different types of evaluations they use to evaluate performance. These evaluations included developing an overall abstract judgment of performance, measuring set criteria or standards of overall performance, comparing suppliers against other suppliers, and evaluating select or case-specific performance.

In this conceptualization of the approaching process, the evaluation of relationship value represents the final phase regarding the catalyst occurring at T1. With regards to the shortage of supply, buyer's evaluated many aspects of the relationship with a supplier. In this particular example, Bob uses a subjective evaluation to explain that two suppliers have been consistent in supplying his organization.

> Bob:
> We are not getting enough (PET) - we are shutting down production to accommodate the short fall…
>
> …we have more conversion capacity. We actually have more equipment so that [shortage] really creates more demand which is not being met. So that is the short fall. *The supply from [name withheld] and [name withheld] has been consistent.* Our demand has gone up and the supply hasn't risen to meet the demand, so that has created a short fall (Para 19).

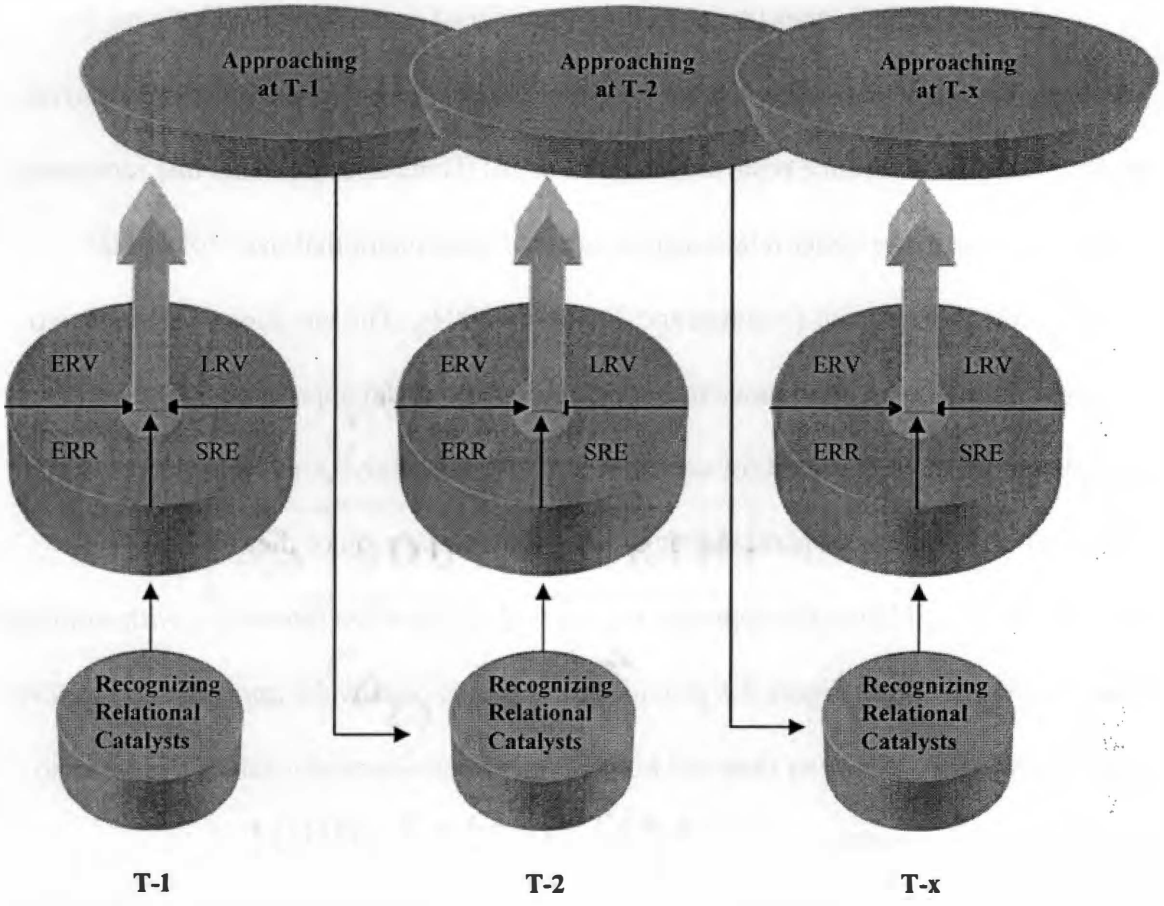
This type of evaluation was common throughout the interviews in this study. While the evaluation was not objectively performed during the interview, the buyer subjectively evaluated the performance of these two suppliers while discussing the supply shortage. Interestingly, both suppliers were perceived as being consistent suppliers, but the shortage in raw material prevented them from expanding its business with the buyer. Since the buyer is still experiencing a shortage in raw materials, the next logical question focuses on the future direction of the relationships with each of these suppliers and with other potential suppliers.

The Evolving Nature of Approach to Supplier Relationships

As defined in Chapter One, buyer-seller relationships are the purposeful maintenance and enhancement of relational exchange and the development of future value for the benefit of participating firms through recognized perceptual and behavioral activities. In this definition, the development of future value stems from the previous interaction amongst participating firms (maintenance and enhancement). This future oriented perspective establishes relationships as an ongoing phenomenon that is continuously evolving.

Buyer-seller relationships evolve over time. While the initial catalyst (PET shortage) was recognized at T1, the subsequent leveraging of relational values, setting of expectations, and establishing relational routines occur after T1. While time is passing during these activities, buyers do not typically recognize the significance of timing like they do when catalyst are recognized. Thus, after T1 buyers are focused on establishing routines which will bring stability to relational activities and hopefully weave the relationship into the fabric of how each firm does business (make the relationship invisible). While operating stable, invisible routines is ideal, these routines are often disrupted by the emergence of relational catalysts. As shown in Figure 4-4, this second catalyst emerges at T2.

An intriguing catalyst that often emerged and disrupted existing relational routines was the buyer's evaluation of a supplier's responsiveness in addressing the catalyst at T1. In many situations, buyers were not pleased with the supplier's handling of a catalyst and subsequently turned this unfavorable evaluation into a catalyst which created a feedback loop and restarted the approaching process at T2. In addressing the evaluation of responsiveness, buyers approached future interactions with this supplier by leveraging its relational values, setting potentially new expectations, establishing potentially new routines, and finally evaluating relationship value. As depicted in Figure 4-4, the approaching process is one that continuously evolves as buyers recognize relational catalysts and accordingly adjust the components of the process.



Legend

LRV – Leveraging Relationship Values
SRE – Setting Relationship Expectations
ERR – Establishing Relational Routines
ERV – Evaluating Relationship Value
T - Time

Figure 4-4: Approach to Supplier Relationships over Time

Accounting for Variation in the Relational Value Exchange Process

According to Gartner Inc., a leading provider of research and analysis on the global information technology industry, nearly 80% of customer outsourcing initiatives that are designed to reduce costs are destined to fail (Bona 2005). While this represents one context for buyer-seller relationships, other sources claim that over 50% of all business relationships fail (Shuman and Twombly 2004). The variation in relationship success highlights the importance of buyers to developing an approach to supplier relationships that can account for variation in relational catalysts, as well as in the relational expectations of participating firms. The compilation of the five key subcategories establishes the approach buyers will utilize when interacting with suppliers in a specific situation. Figure 4-5 provides a schematic of how the *approach to supplier relationships* may vary over time and how the relational approach enables the buyer to account for this variation.

A key source of variation in one's *approach* is relational catalysts. Catalysts can vary in terms of impact on the buyers operation, as well as in terms of timing of its arrival. The process in Figure 4-5 begins with an initial contact between a buyer and seller that do not have any previous history of working together. The catalyst may be unfulfilled supply need in the buying organization. Given the lack of history with this supplier, the buyer may rely on its relational values or beliefs regarding buyer-seller relationships to establish specific expectations of relationship value. These expectations influence the type of interaction involved in the relationship by helping establish a relationship routine. The relationship routine is a recurring pattern of behavior that is needed to produce the desired relationship value. The activities involved in the routine

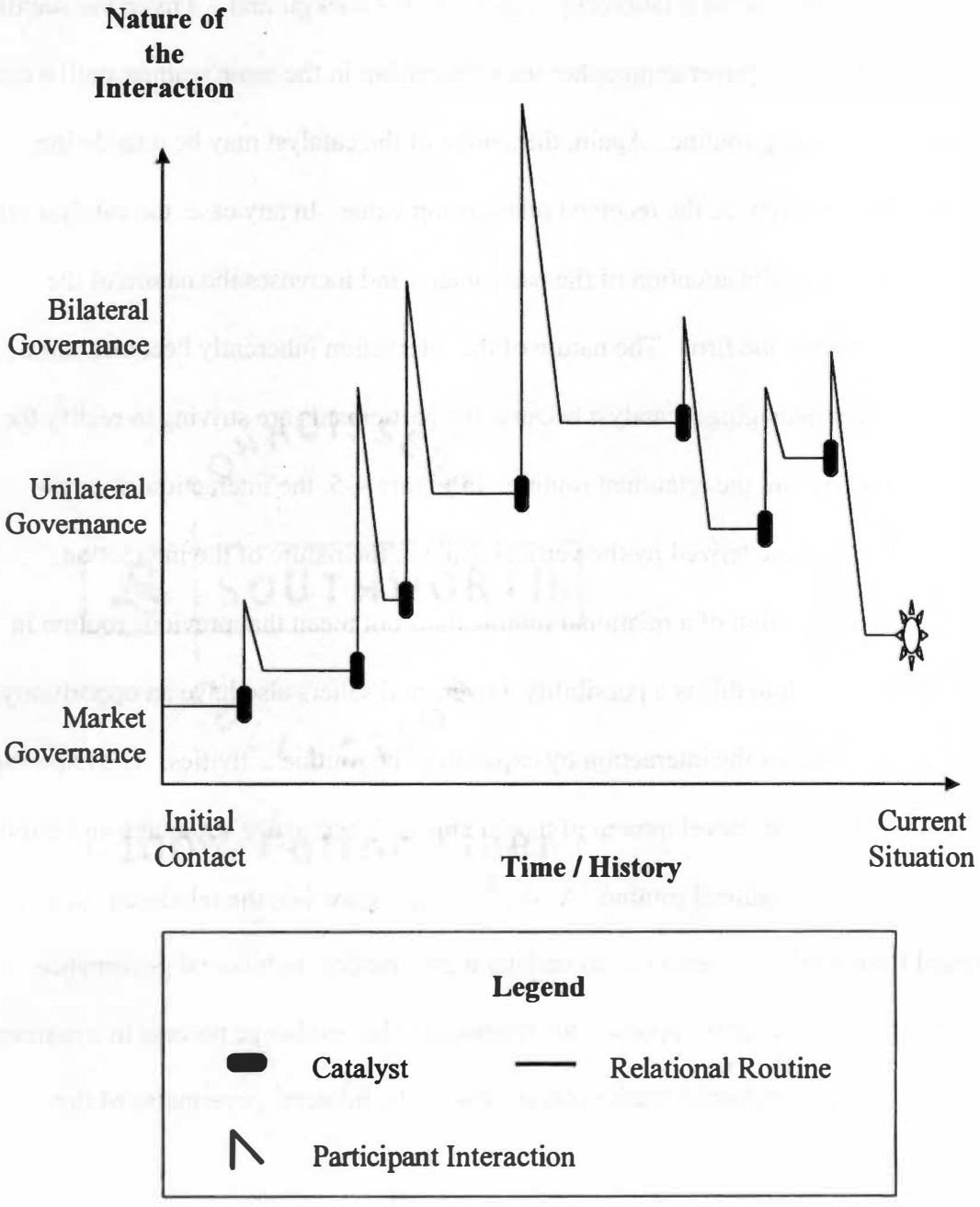


Figure 4-5: Variation in the Relational Value Exchange Process

characterize the nature of the interaction and are described according to Heide's (1994) governance structures.

Once a relational routine has been established, buyers and sellers experience stable interaction and the relationship "fades into the background." Given the stability of the relationship, the buyer approaches the relationship in the same manner until a catalyst disrupts the existing routine. Again, the source of the catalyst may be outside the relationship or it may be the received relationship value. In any case, the catalyst brings the relationship to the attention of the participants and increases the nature of the interaction among the firm. The nature of the interaction inherently becomes more bilateral when managing a catalyst because the participants are striving to rectify the situation and restore the relational routine. In Figure 4-5, the interaction amongst participants is characterized by the vertical spike in the nature of the interaction.

The restoration of a relational routine does not mean that previous routine in reestablished. While this is a possibility, buyers and sellers also have an opportunity to change the nature of the interaction by expanding the routine activities. The expansion of activities leads to the development of more complex governance structures and ultimately a more complex relational routine. As depicted in Figure 4-5, the relational routines expand from market governance, to unilateral governance, to bilateral governance. Additionally, buyers may approach the relational value exchange process in a manner that contracts the relational routine and decreases the bilateral governance of the interaction.

The approach that buying organizations utilize when participating in the relational value exchange process assists in accounting for process variation. The combination of

relational values and desired relationship value enables buyers to establish relational routines that account for a catalyst and associated extenuating circumstances. The activities involved in the relational routine are designed to fulfill the expectations of the relationship and to produce specific relationship value. The assessment of received relationship value provides an indication of relationship performance and also serves as a catalyst for future relational behavior between the buying and selling organizations.

CHAPTER FIVE

STUDY TWO – SELLER'S PERSPECTIVE

Chapter Outline

This chapter presents interpretations of 17 interviews with executives and members of management from Acme Co. These interviews were designed to investigate relationships between a selling firm and its customers as perceived by executives and managers in selling organizations. The principal researcher involved in this dissertation conducted all 17 interviews during the data collection process. As stated in Chapter One, the researcher used the overall research question of "Why do firms engage in, maintain, or dissolve buyer-seller relationships?" and its supporting research objectives (see p. 27 – Ch. 1) to direct the data analysis.

This chapter begins by outlining the interpretation process. The second section provides a description of the 17 study participants. The third section presents an overview of the theory's core phenomenon, *Managing the Customer Base*, and its relevant categories. The fourth section of this chapter discusses the procedural nature of *Managing the Customer Base*. Presented in this discussion are the relationships amongst key categories used by participants (sellers) to interpret and give meaning to events involved in doing business with supplier organizations. The fifth section introduces the concept of *Situational Characteristics*. While located outside of the core phenomenon, *Situational Characteristics* represent a menagerie of naturally occurring factors (stemming from the seller's organization, the buyer's organization, the specialty retail product industry, and/or the macro environment) that may influence decisions regarding

relationships with one's customer base. The sixth section will focus on the evolving nature of *Managing the Customer Base*. In particular, the researcher will focus on the development of relationships from a customer base perspective and then demonstrate how one's history with a particular customer and *Situational Characteristics* can lead to the development of more personalized or one-to-one relationships. Throughout the chapter, the processes and relevant categories are supported by dialogue from the participants' interview transcripts. This chapter concludes with a summary of the research findings.

Interpreting the Research Findings

The primary source of data in this study was the 17 interviews with executives and members of management from Acme Co. The analysis of these interview transcripts enabled the researcher to construct concepts that have been integrated into a deeper understanding of how buying organizations develop, maintain, or dissolve buyer-seller relationships. Each concept is described and supported by text from the participant interviews. To illustrate the context within which the concept was developed, quotes from transcripts may include lead-in comments, as well as follow-up comments by a participant that are beyond the reference of the focal concept. It is important to note that a particular quote may contain reference to more than one concept. For this reason, readers may notice some overlap between quotes used for different concepts.

During data collection, grand tour interviews were used as a means for asking participants open-ended questions about their experiences with supplier relationships. As explained in Chapter Three, grand tour is an ethnographic interviewing technique that, as

used in this study, seeks to understand the how buyers develop, maintain, and/or dissolve supplier relationships by asking the participant to guide the interviewer through a specific relationship experience. The use of open-ended questions enabled the participants to provide richer and deeper information regarding experiences with supplier relationships. With the freedom to guide the interview, a participant's discussion of one event would periodically trigger the recollection of other experiences and ultimately influence their description of these experiences.

As a means of exploring emerging themes and/or opportunities for conceptual clarification, data was also collected through the use of the critical incident technique. While conducting the grand tour interview, the researcher asked specific questions in situations where further elaboration of themes, categories, and/or relationships were needed. These questions differed from the previously used open-ended questions in that they provided a specific direction into what type of experience the respondent should describe.

The Research Participants

The interviews in Study Two were conducted with executives of Acme Co. and focused on the seller's perspective of relationship development, maintenance, and/or dissolution. While following the order in which interviews were conducted, the researcher began using theoretical sampling to select participants that could provide specific insight into underdeveloped issues that arose during the analysis process. The deviation from the data collection sequence occurred when the researcher began identifying emerging themes within the data and when experiencing redundancy in major

categories. Details on the number of interviews analyzed and the specific order of analysis will be discussed in the following paragraphs.

Overall, the researcher analyzed 17 verbatim interview transcripts (Table 5-1). During the analysis process, the researcher reached a point of redundancy on the key categories after analyzing seven interviews. After analyzing the initial seven interviews, questions remained regarding the core phenomenon, *Managing the Customer Base*. To ensure saturation, the researcher analyzed five additional interviews while considering all of the major categories and the core phenomenon. Within these five interviews, theoretical sampling was specifically focused on questions how *Managing the Customer Base* accounts for variation in relationships between sellers and buyers. Finally, the research utilized NVivo's search option to theoretically sample key categories in an additional five interviews.

It is important to note that these 17 interviews include the experiences of Acme Co.'s Senior Executive Team as well as members of management from several functional areas. Figure 5-1 organizes the interviews conducted in this study according to functional areas and management levels. The researcher gained initial access into Acme Co. through the President and Chief Operating Officer. The President and COO helped arranged interviews with executives and managers from across the organization. In particular, the researcher conducted 4 interviews in Marketing, 4 in Sales, 3 in Specialty Products, 2 in Manufacturing, 2 in Accounting, and 1 in Information Technology. The only functional area that was not sampled during data collection was the logistics area. This area was not included because of scheduling conflicts with executives in this area.

Table 5-1: Research Participants in Study Two - Seller's Perspective

Analysis Order	Respondent	Title	Department
1	Doug	President & COO	
2	Lee	Vice President	Marketing
3	Randy	Vice President	Sales
4	Oscar	Vice President	Manufacturing
5	Karl	Vice President	Accounting
6	John	Executive Director of Sales Development	Sales
7	Eric	Director of PR and Tradeshows	Marketing
Interviews Theoretically Sampled for Key Categories			
8	Glenn	Executive Director of Sales	Sales
9	Todd	Director of Product Design & Development	Marketing
10	David	Director of Credit	Sales
11	Damian	Family & Religious Products	Marketing
12	Gregg	Vice President	Specialty Products
Interviews Theoretically Sampled for Key Categories Using the NVivo Search Function			
13	Cindy	Have It Your Way Specialist	Specialty Products
14	Paul	Director of Specialty Products	Specialty Products
15	Steven	Director of Manufacturing & Special Projects	Manufacturing
16	Martin	Software Developer	Information Technology
17	Paula	Manager of Accounts Receivable	Accounting

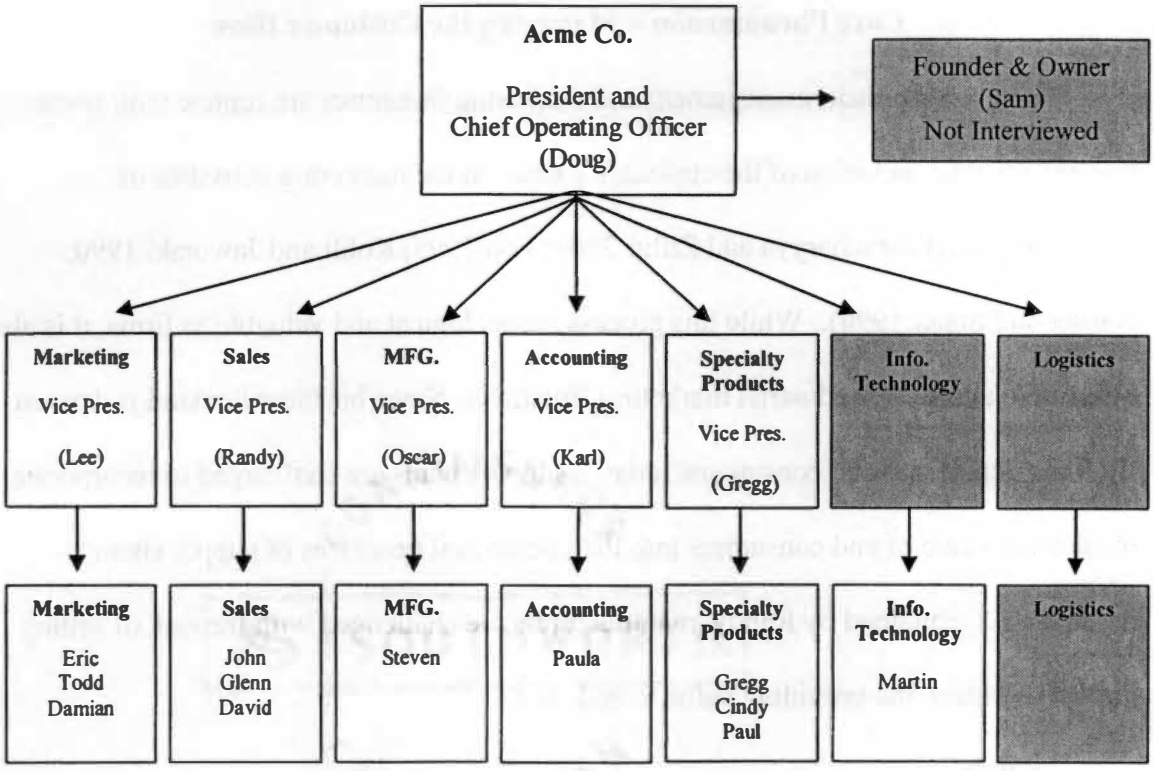


Figure 5-1: Study Two Research Participants by Organizational Function

Core Phenomenon – Managing the Customer Base

The supply chain management and marketing literatures are replete with research that calls for the inclusion of the customer's voice in the marketing activities of organizations (Bhattacharyya and Zillur 2004; Fojt 1995; Kohli and Jaworski 1990; Narver and Slater 1990). While this process seems logical and valuable to firms, it is also difficult to achieve is industrial marketing situations. Since business demand is derived from the demand of end consumers, today's supply chains are challenged to incorporate the desired value of end consumers into the operational processes of supply chain partners. As explained by Randy, manufacturers are challenged with the task of selling through retailers and providing value to end users.

> Randy:
> *It's selling through someone.* And that's what business to business selling is all about in a consumer goods product, because we don't sell to the end user. *We don't sell to the consumer. Our customer sells to the consumer* (Para 53).

As shown in this example, the end consumer's demand for these products influences the retailer's operation and the operation of the manufacturer. By recognizing the importance of end users, manufactures in essence expand the scope of one's customer focus to include not only channel customers (retailer), but also end consumers (Dwyer and John F. Tanner 2006).

Mentzer et. al. (2001) describe supply chain management as "the implementation of a supply chain orientation" or the "systematic, strategic coordination of the traditional business functions with a particular company and across businesses with the supply chain, for the purposes of improving the long-term performance of the individual companies and the supply chain as a whole" (p. 2). A challenge facing manufacturers or

sellers when implementing this orientation is that they have to manage multiple supply chains that are, to a certain extent, occurring independently from the other supply chains. Manufacturers with relatively few channel customers may not view this issue as being significant, but manufacturers with many supply chains may view the task of managing supply chains as being enormous or overwhelming.

This study addresses the challenges in managing multiple supply chains by focusing on a single seller's efforts to manage its entire customer base. The size of this seller's operation provided an opportunity to explore how a single seller interacts with an extremely large customer base. As explained by Lee, the seller's customer database includes over 40,000 active customers and represents an eclectic mix of company types.

> Lee:
> And they're very eclectic. We have uh probably 40,000 active accounts…we're talking about businesses, we're not talking about stores….*Basically with those 40,000 customers there are some that are very large and they're…a lot of them, our typical customer is probably a Mom and Pop retailer in Middle America* (Para 12).

It is important to note that the manufacturer in this study sells to retailers and does not sell to end users. This type of channel structure creates the daunting task of understanding and managing a large number of marketing channels.

The process of *managing the customer base* represents the core phenomenon of this study. *Managing the customer base* is a process that establishes a business structure which enables a selling organization to fulfill customer needs in ways that make the customer's business more successful in delivering value to end users. The process of *managing the customer base* seeks to provide structure for interacting with the entire base as well as a starting point for interaction with individual customer organizations. As

described by Martin, *managing the customer base* involves the structuring of interaction with every customer

> Martin:
> [The automated order process is] *forcing us to have a conversation in a linear, structured fashion,* not just jump all over the place because obviously the program had to flow in certain form. That required us to say, you know what, *you have to control the conversation, get the right information at the right time, without being demanding, but get that customer to do what we want to do* (Para 19).

The establishment of guidelines for interacting with customers enables the seller to control the interaction and provide consistent, accurate service. The use of such structures helps manage specific organizational processes and essentially enables the seller to do what it does best.

> Lee:
> ...it's very easy for us to ship out the door a thousand different items. But a thousand and one means that that whole order has got to go through, march through the factory as kind of a unit and come out on the other end, and it's kind of like a boa constrictor swallowing a pig. *It's just not what we normally do so it's hard for us to do so it causes a lot of stress in the system* (Para 72).

As shown in this example, deviations from the controlling guidelines create negative consequences and causes stress within the seller's organization.

The focus of *managing the customer base* incorporates the voice of channel customers (retailers) by focusing on the needs of channel customers and the needs of end consumers. With respect to channel customers, the process involves the development of value propositions that seek to satisfy the needs and wants of these customers.

> Randy:
> ...I'm (seller) *trying to understand what your wants and needs are and how I can satisfy those wants and needs.* And quite frankly, many times you don't even know what they are, but *it's my job to help you understand*

> *many times what, what you really need.* As you know, many times what we want and what we need are two different things (Para 15).

As depicted by Randy, the seller recognizes its role in not just understanding the retailer's needs, but also in providing value in ways that the retailer may not even recognize. Additionally, sellers incorporate the needs of consumers in *managing the customer base*. As previously noted in this section, business demand is derived from end user demand. By understanding consumer demand, the seller can develop strategies which focus on helping its customers successful in creating value proposition which fulfill the needs of these consumer markets.

> Lee:
> If they (retailers) love our product but you don't give them a means of advertising it and bringing consumers into their store to give it, to buy it, you know, it's hard for them to promote it. *So we worked with him on that. The first Christmas we made him a series of Christmas ads that he selected a product. We made a Christmas ad that tied back to those specific products. He ran them in the newspaper. He had good success* (Para 46).
>
> ++++++++++++++
>
> Randy:
> I want to sell you more product, but *I'm going to help you sell that product to your, to your customer....As long as I have in my mind set that I'm going to sell you product and give you programs to sell to your customer,* you're going to keep buying from me and you're going to, you're actually even going to solicit my advice more than you used to (Para 53).

In the previous excerpts, the seller recognizes the influence of derived demand and proactively seeks to help the retailer become more successful in delivering value to end user markets.

As the core phenomenon, *managing the customer base* is the central idea main theme of this research. The core phenomenon in this study is a process which draws relationships

between the five categories and the central idea. Categories are defined as concepts that stand for phenomena. Each category is supported by relevant properties or characteristics which help define the category. *Managing the customer base* provides sellers with a process of planning interaction with an entire customer base and ultimately serves as a starting point for managing interactions with a particular customer. *Managing the customer base* is the compilation of five interrelated, subcategories and relevant properties. In Figure 5-2, the categories are located within the inner circle and the properties associated with each category are located in the outer circle. These categories include (1) understanding the use situation, (2) focusing on customer success, (3) creating a one-to-one value proposition, (4) delivering value through one-to-one relationships, and (5) experiencing consequences of 1-to-1 relationships. The theoretical model is circular in nature to demonstrate the time and sequence locations of each category, but also to avoid the strict conceptualization of a linear process. As will be discussed later in this chapter, *managing the customer base* is a dynamic process that varies over time and situation. While there are relationships amongst the subcategories, the relationships are based on the timing and location of each category, relative to other categories, within the process of *managing the customer base*. The circular nature of the model is effective in portraying a process without implying cause and effect relationships between subcategories of the theoretical model. Each of these subcategories will be discussed in the following sections.

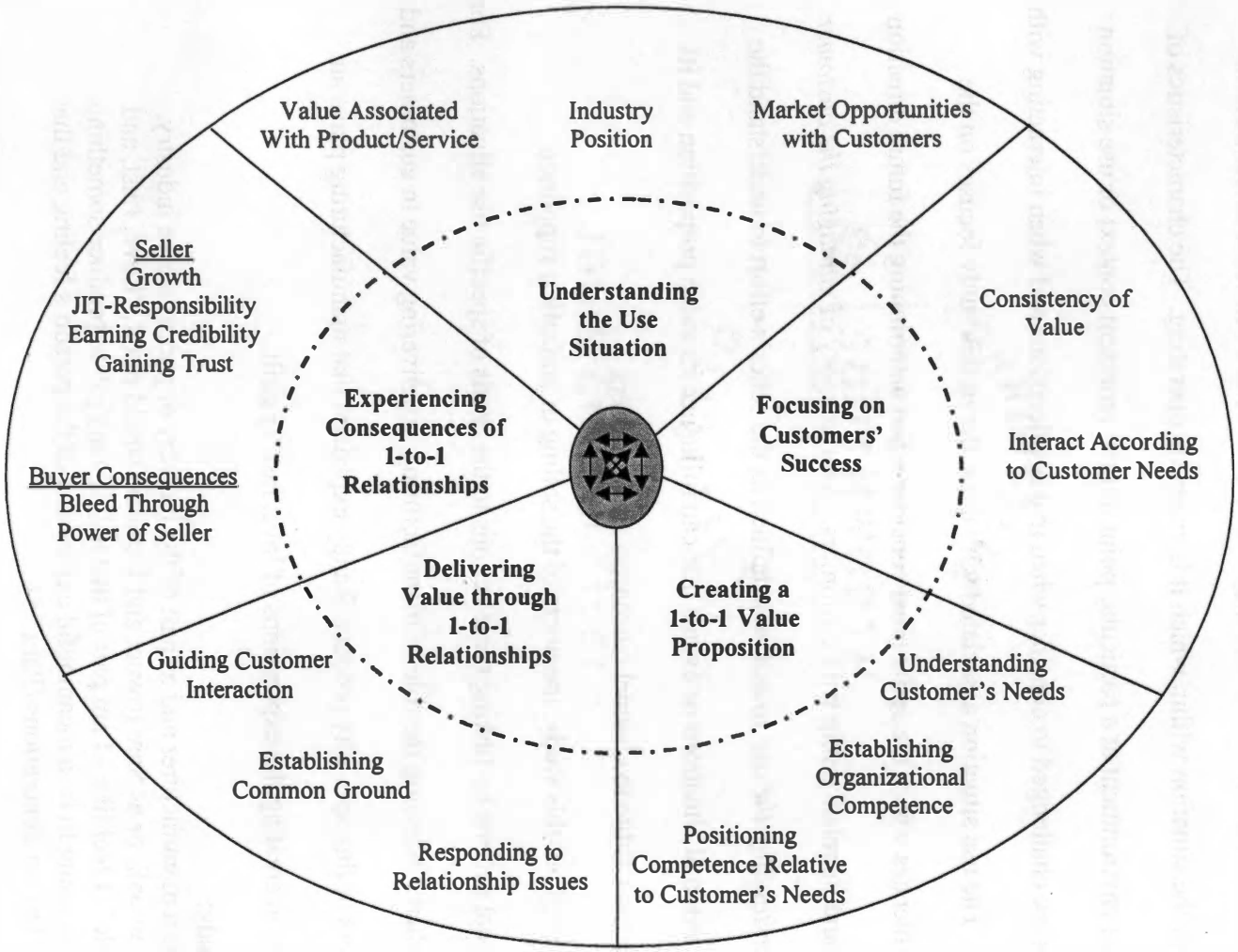


Figure 5-2: Core Category Framework– Managing the Customer Base

Understanding the Use Situation

Managing the customer base begins with the seller's efforts to understand the dynamics of the situation within which it is currently operating. The characteristics of the business environment at a particular point in time represent context or use situation that buyers are challenged to consider when making decisions and when interacting with customers. The use situation associated with the seller in this study focuses on the various influences which the seller must consider when determining the future direction of its firm and its relationship with customers. As a category of *managing the customer base, understanding the use situation* is defined as the seller's effort to understand the internal or external situations or events that can influence its value proposition and its ability to deliver value to channel customers and end users.

Throughout this study, members of the selling organization supported organizational actions by linking these actions to the needs of specific use situations. For instance, when discussing the role of manufacturing in delivering value to customers and to consumers of this specialty product, Randy explained that manufacturing plays an integral role in creating the expressions of love, lust, or guilt.

> Randy:
> ...as a manufacturer and as part of the industry or part of a love industry, if you will, or as Sam (owner and founder) would put it, "Love, Lust, and Guilt." I feel like - I am part of that and it's my job to produce something that's going to be a meaningful expression of the person's feeling and that will last for generations (Para 55).

Within this except, it is important to highlight how Randy moved beyond the obvious parameters of the industry and to describe the industry in terms of the value that it

delivers to end users. *Understanding the use situation* provides a perspective on the business environment that enables buyers to consider the sources of influence within a supply chain that may ultimately influence the value that is deliver to consumers. In this study, *understanding the use situation* is supported by three primary properties. These properties include value associated with the product/service, capabilities and limitations of channel customers, and market presence. Each of these properties is defined in Table 5-2 and will be discussed in the upcoming sections.

Table 5-2: Definitions Associated With Understanding the Use Situation Category

Category/Property	Definition
Understanding the Use Situation	The seller's effort to understand the internal or external situations or events that can influence its value proposition and its ability to deliver value to channel customers and end users.
Value of the Product/Service to End Users	A consumer's perceived preference for those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations (Woodruff, p. 142).
Market Opportunities with Channel Customers	The seller's effort to identify potential market opportunities by evaluating the strengths and weakness of channel customers.
Industry Position	The seller's ability to compete against rival firms within its industry and to influence industry trends, channel structure, channel customer behavior, and/or end user demand.

Value Associated with the Product/Service

This study was conducted in an industry that produces products that often symbolize emotional gestures, memories, events, etc. Value associated with the product/service is a property that reflects the desired aspect of Woodruff's (1997) definition of customer value. The associated value is defined as a customer's perceived preference for those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations (Woodruff, p. 142). As a property of *understanding the use situation*, the associated value expands the seller's market orientation to include the desired value of end users. As mentioned earlier, the demand for a manufacturer's products is influenced by end user demand. Thus, it is imperative that upstream members of a supply chain understand the value customers' associate with specific products/services.

As discussed in Chapter Two, there are several typologies of customer value in the marketing literature (Holbrook 2002; Sheth et al. 1991). In this study, there were two primary types of value that emerged and helped in understanding the use situation. These values were emotional value and functional value. As a seller (manufacturer) of a specialty retail product, it is important to understand the emotion attached to these items by end users because this emotion plays an important role in influencing the users purchasing behavior. The emotion attached to this product provides the seller with insight into not only the consumer's behavior, but also into how a seller could develop a successful value proposition. As depicted by Lee, the product manufactured by Acme Co. is simply an emotional gift that assists the consumer in commemorating special events or situations.

Lee:

> ...in [industry name withheld], though, it is different than a lot of other things. I say it is, everybody thinks their business is a little bit different, but ***basically you're talking about an emotional gift. You're talking about commemorating a life event,*** generally speaking, in a lot of cases. ***Or you're buying it to make you feel good....***It's a personal gift. It's not like going to Ace Hardware and buying a, you know, a washer for your bathroom (Para 38).

As reflected in this example, the seller recognizes that the success of his organization is influenced by its ability to provide products/services that arouse feelings or affective states of target consumers. This was one of the first incidents where the researcher identified the seller as understanding the role it plays or where its organization is located in the overall process of delivering value to end users.

Sheth's (1991) defined emotional value as "the perceived utility acquired by an alternative as a result of its ability to arouse feelings or affective states" (p.20). As such, products/services attain emotional value when consumers associate them with specific feelings or when they produce certain feelings (Sheth et al. 1991). This definition of emotional value is supported by this study and helps to reinforce the link between the manufacturer and the ultimate consumer.

The seller in this study was definitely cognizant of the emotional value consumers attach to this specialty retail product. As explained by Oscar, the seller believes that "as long as you have love, lust, and guilt...we'll be in business" (Para 25). This excerpt helps highlight the emotional nature of the product in this study. It is important to note that value associated with the product/service will vary from emotional to unemotional. The ability of a product to elicit consumers' emotions will ultimately determine the role

of value associated with the product/service in *understanding the use situation.* While this product is an emotional purchase, other more generic products may not elicit any emotion from consumers.

A second interesting element of value associated with the product/service focuses on how end users consume Acme Co. products. In the marketing literature, this dimension of value focuses on the perceived utility or functional value of a product/service (Sheth et al. 1991). As defined by Sheth (1991), functional value is "the perceived utility acquired by an alternative as a result of its ability to perform its functional, utilitarian, or physical purposes" (p. 18). This definition helped clarify the importance of high-quality, specialty retail products to some consumers. For example, high-quality products, like those manufactured by Acme Co., are often purchased as family heirlooms that can be passed on to the consumer's children, grandchildren, etc. Oscar describes this practice as using specialty retail products, like Acme's products, to express one's love by creating a family legacy.

> Oscar:
> ...to me, *I'm making something that could become an heirloom that could be handed down to the next generation and the next generation and the next generation.* So it's a meaningful, significant purchase that someone has an emotional attachment to that they can hand down to their grandchildren. I don't know about in your family, but the whole thing with, *this is grandmother's ring. And it has so much more meaning than a ring that you walk into a store and buy...now* that's [inferior quality product purchase] an expression of love but it doesn't have the, *the legacy, if you will, of a ring that can be handed down* (Para 11).

In the aforementioned example, the functional value associated with the product/service expands the seller's understanding of the use situation by providing information on the longevity of the consumer's consumption experience. The handing down of these

products is an expression of love, but it is also invitation for [industry name withheld] manufacturers and retailers to participate in the communication process. Oscar continues his discussion of family heirlooms by describing how the seller's recognition of the value associated with the product/service challenges it to produce products that can serve as adequate representations of one's "love."

> Oscar:
> Sam (owner) has been saying…you know, [Company name withheld] marketing is "[Product name withheld] are Forever." Well for us, it's kind of along the lines of "*[Product name withheld] is for Generations*."
>
> [In our organization,] it starts - with how you make the metal, the integrity of the metal. We spend a lot of money and time to make sure the metal is the best it can possibly be. *We use the best methods to manufacture the ring in order to give them [consumer] the best quality as possible. So that's what I, what I feel, in manufacturing, that's the relationship to the customer (Para 11).*

Stemming from the example above, it is interesting to highlight how Oscar associated the internal manufacturing process with the relationship to the customer. While this manufacturer only sells to retailers, the use situation surrounding its products brings the seller into contact with the consumer. The relationship between manufacture and consumer (although they do not directly interact) is important because it begins to identify the seller's ability to recognize the various flows within supply chains that are associated with transferring value to the ultimate consumer.

In regards to variation in the value associated with the product/service, it should be noted that this study involved emotional and functional value. Given the support for these types of value, other types of consumption value in marketing literature may also influence a manufacturer's *understanding of the use situation.* For instance, Sheth's

(1991) typology of consumption values supported functional and emotional value. This typology also suggests that the consumption values of social, epistemic, and conditional may influence the use situation confronting selling organizations.

Market Opportunities with Channel Customers

While analyzing the current business situation, the seller was particularly interested in the role retailers or its channel customer play in the deliver of value to end users. The property of market opportunities with channel customers focuses on the seller's effort to identify potential market opportunities by evaluating the strengths and weakness of channel customers. The strengths and weaknesses of a channel customer enable and/or prevent it from creating additional value-added services and delivering value to consumers.

The recognition of the retailer's (buyer) capabilities and limitations provide the seller with an understanding of where supply chains may be strengthened and/or weakened by the actions of channel customers. As explained earlier, the demand for the seller's product is derived from the demand of end users. If retailers are not successful in selling to consumers, the manufacturer may potentially face a decrease in demand for its products. Thus, the manufacture takes an active role in trying to recognize current situations within retail operations that may impede its ability to fulfill end user demand. Some areas of particular interest within the [industry name withheld] industry included the struggle of retailers to profitably manage inventory…

> Gregg:
> *One of the major problems retailers have is that they turn the inventory less than one time a year*....So what we are trying to do is help them with

> the inventory turns by offering them low cost ways to expand their product selection (Para 65).

and opportunistic behavior in regards to financing options and payment.

> David:
> ...the other guys that are kind of coming in the back door, that's a different story. You know they are kind of, not out to get you, but *their trustworthiness is not that great, so you kind of want to watch them very closely.* If they do qualify we are not going to not sell to them just because they stuck us in the past or something like that, but chances are they'd be on a cash basis and pretty tight on how we are watching them at that point (Para 23).

As evidenced in these two excerpts, the seller is expends effort to better understand what type of value it can provide to customers within a certain use situation.

Market opportunities with customers will vary according to the presence or lack of presence of an opportunity to provide value to customers. The presence of an opportunity with a customer represents a use-situation where the seller may have a higher probability of initiating and/or expanding a relationship with a customer. The absence of a market opportunity signifies that growth with a particular customer is most likely limited. While the types of capabilities and limitations will vary across selling situations, the key aspect of this property is the seller's ability to recognize how the capabilities and limitations of downstream customers will influence the deliverance of value to end users.

Industry Position

The third and final property of *understanding the use situation* addresses the industry position of the seller within its industry. Industry position reflects the seller's ability to compete against rival firms within its industry and to influence industry trends,

channel structure, channel customer behavior, and/or end user demand. This property is reflective of discussions of power in business-to-business research (Cox 2001; Thorelli 1986). The author decided not to title this phenomena power because the term carries a negative connotation that was not reflective of the data in this study.

While the research participants did not directly address their company's power, they did provide insight into the position of their firm within the [industry name withheld] industry. The seller in this study is the largest manufacturer within its industry and sells to virtually every retailer in the industry. Doug provides insight into the seller's industry position by describing the size of its customer base and the magnitude of its product mix.

> Doug:
> ...in addition to the massiveness of our market penetration, *we have currently about 55,000 customers who have collectively over 60,000 locations. Our customers are predominantly independent retailers, wholesalers and other manufacturers to whom we're selling over 160,000 different things.* If you count it one way it's 160,000. If you count it another way it's like 350,000. We hang our hat on the 160, which is plenty.
>
> [Additionally, we are] *aggressively managing $100 million in inventory* (Para 11).

The size of the seller's operation (number of customers and product mix) is unparalleled within its industry. As explained by Eric, Acme Co.'s competitors are much smaller in regards to the scale of their operation.

> Eric:
> 70% of manufactures are comprised of 10 people or less. *Acme Co. is an anomaly in its size*. We are about 1,500 people here in Lafayette and there's maybe 250 - 300 in other locations for sister companies both domestically over seas. There aren't that many companies that are that big, you know, most of the industry is composed of small family held businesses that are very, very narrowly focused in what they do. *That's*

> *another reason that we are an anomaly, there's very few of any companies that cover the broad range of products and services that we do*. That's unusual as well (Para 30).

As shown in the excerpt above, a seller's position within an industry provides important insight into the use situation because it highlights the competitive advantages and/or disadvantages that may confront the organization in managing its customer base.

The seller in this study finds itself in a position where it interacts with a large percentage of the industry's customer market on a daily basis. As explained by Lee, on a typical Monday, Acme Co. will "get 6,000 to 7,000 orders from all over the country" (Para 24). Given the number of daily orders, the seller's industry position influences the operational and strategic direction of its organization. Operationally, the industry position requires the seller to maintain superior manufacturing and logistics processes. Strategically, its industry position enables the seller to influence the direction of industry trends, channel structure, channel customer behavior, and/or consumer demand.

The positioning of a firm within its competitive arena is influenced by its operational excellence, customer responsiveness, and/or performance superiority (Day 1997). Through its efforts in providing value added services, like next-day delivery, Acme Co. has created a dominant industry position by being establishing operational excellence and customer responsiveness. This position did not happen by accident. Acme Co. created its influential position by creating competence around the value desired by its customers.

A seller's industry position will influence its understanding of the use situation to the extent that it can leverage its resources in creating sustainable competitive advantages and in influencing industry trends and customer demands. Naturally, the presence one

attains within a market will vary from a dominating presence to one where the seller has little or no influence over industry or channel activities. Acme Co. has a dominant position within its industry and uses this position to influence and/or create opportunities with customer markets.

Relational Statement 1

Understanding the Use Situation is the seller's effort to understand the internal or external situations or events that can influence its value proposition and its ability to deliver value to channel customers and end users. The use situation within this study focused on the environment where the seller encountered situations that could potentially influence the interaction the seller has with its customers. Three important properties of the *understanding the use situation* category included the properties of value associated with the product, market opportunities with channel customers, and industry position. The understanding of use situations is important to *managing the customer base* because it helps the seller understand the dynamics of the context and helps identify important issues, like emotion or market opportunities, that may be used in developing value propositions around the needs of specific customers.

> RS1: *Understanding the use situation* helps the seller identify important situational characteristics that may influence the seller's performance in producing and delivering value to downstream customers. It provides a perspective of marketplace variables that should be used in *managing the customer base.*

Focusing on Customers' Success

The process of *managing the customer base* challenges selling organizations to establish a business structure which enables it to fulfill customer needs in a way that makes the customer's business more successful in delivering value to end users. In order to actively manage this process, sellers should internalize and accommodate the demands of the business use situation when interacting with supply chain customers. Central to seller's organization is its vision regarding how it wants to conduct business with its customers.

Throughout this study, the vision of the seller's founder [Sam] seemed to emanate throughout the organization. As one the largest companies in its industry, the seller continues to follow a vision that is traced back to the Sam's personal experience working in a retail store as a high school student.

> Lee:
> ...he's [Sam] a brilliant man and he really saw...he's a good listener. He saw early on...he said *his inspiration for his business came from an old proprietor that he worked for, worked with in the, when he was in high school. And the guy said, if somebody could ever come up with a quality product and get it to people on time, when they've said, at a fair price, and make it easy to deal with, said they'll have, they'll have all the business in the industry.* And so the business opportunity stuck in his mind and he's been able to take that basic idea and really build a wonderful business out of it in the sense that they've started out regionally, very small.
>
> But that didn't happen overnight. It was a lot of, you know, evolution and change along the way. But that, *it started with an idea and, and somebody that had great energy and great attention to detail, you know, uh really made it, made it work* (Para 24).

While the vision in this excerpt started as an idea and was refined over the years, it still focuses on the original opportunity to assist retailers in being more successful in planning their work and in serving consumer markets.

As a means of effectively *managing the customer base,* the vision or mind-set of the selling organization in this study focuses on the success of its customers. *Focusing on customers' success* characterizes the seller's vision or mind-set to interact with supply chain customers. This type of vision is reminiscent of market-driving firms. In driving markets, firms used transformational leadership to create a culture which focuses on better positioning its organizational competence relative to customer value opportunities (Carrillat et al. 2004; Jaworski et al. 2000; Kumar et al. 2000).

Throughout the organization, the mindset of employees is centered on enabling customers to be more successful as a result of dealing with Acme Co. As described by Randy, the seller's mind-set influences the behavior or action of the organization and helps position the firm to develop relationships with customers.

> Randy:
> As long as I have the mind-set that I'm going to sell you product and give you programs to sell to your customer, you're going to keep buying from me and you're actually even going to solicit my advice more than you used to. That's a partnership (Para 53).

This mind-set is particularly interesting because it focuses on the needs of individual accounts. While the seller has a dominating industry position, it has not lost sight of where it came from. As shown in Table 5-3, *focusing on customers' success* is supported by the two properties of consistency of value and individual needs create the customer base.

Table 5-3: Definitions Associated With Focusing on Customers' Success

Category/Property	Definition
Focusing on Customers' Success	The seller's vision or mind-set when interacting with supply chain customers centers on enabling these buyers to be more successful as a result of dealing with Acme Co.
Consistency of Value	The seller's efforts to balance or manage the demands of suppliers, employees, and customers in ways that enable the seller to consistently deliver value to the marketplace.
Interact According to Customer Needs	The seller's desire to structure interaction with its customer base around the needs of individual customers.

Consistency of Value

From the beginning, the opportunity which drove the growth of the selling organization challenged manufacturers to assist an independent retailer in becoming more successful. A key element of this opportunity was for manufacturers to consistently deliver value. As with any manufacturer, there is a certain level of sophistication that is required to produce consistent quality and to consistently deliver on time. Additionally, the seller finds itself in a situation where it is called on to provide value-added services that will help customers compete more successfully.

The deliverance of value to customers is ultimately the responsibility of the seller, but the seller also realizes that it is influenced by three important groups. These groups include suppliers, employees, and customers. While each group plays an important role in assisting the seller to deliver value to the marketplace, each group also requires individual attention from the seller. Thus, in order for manufacturers to consistently

deliver value to channel customers, it must be able to balance the demands of customers, with the requirements of suppliers, and with the requirements of one's internal operation.

Consistency of value represents the seller's efforts to balance or manage the demands of suppliers, employees, and customers in ways that enable the seller to consistently deliver value to the marketplace. According to Karl, the performance of his firm depends on its ability to successfully manage the dynamic between these three key constituencies. The management of these groups enables the seller to consistently deliver value and thus, to consistently perform successfully.

> Karl:
> ...you try to help them [customers] with those types of things, not only so that they can grow, but *because we think that if we can help them grow, we'll grow regardless.* So you have to help them grow, because without that you're just another vendor.
>
> It's one of those things...and we keep rearranging the priority or the order of them. *If you take care of your vendors, and you take care of your customers, and you take care of your employees, the forth item, the bottom line, will follow.* No matter which one you put first, second or third, sometimes we say it's the vendors, sometimes we say it's the customers, and sometimes it's the employees, it just depends and it changes on the situation, but *you can't do without any of those three.* Because you can't make everything that you sell. Nor can you sell anything without employees. Nor can you do anything without any customers. *So you have to balance those three* (Para 67).

Doug supported this notion of managing these three groups by describing a three-legged milking stool. The seller's suppliers, employees, and customers each represent a leg on the stool that the manufacture is trying to sit upon.

> Doug:
> Sam [founder] said that *if you look at [suppliers, employees, and customers as a] three-legged milking stool, he said, the most important element of that whole combination are suppliers. We've got to take care of suppliers so they can take care of us.* If we don't have [withheld], if we

> don't have [withheld], if we don't have some [withheld] that we source in Germany or Switzerland, we can't sell that stuff. And if they let us down, our customer in Knoxville, Tennessee, isn't mad at a supplier in Germany. They're mad at Acme Co. because we didn't have what they wanted.
>
> …you hate to rank order them, but he said, *most important is our supplier. The second most important is our employees. If you don't have your employees you don't have anything. We don't put this on a billboard, customers are third, but you've got to have the first two before you can take care of the customers.*

Stemming from these two excerpts, it is important to highlight the seller's confidence in the outcome of managing these three constituencies in a way that consistently delivers value to the marketplace. The consistent delivery of value depends on upstream relationships with suppliers, internal relationships with employees, and downstream relationships with customers.

Interact According to Customer Needs

As a process, *managing the customer base* seeks to structure organization processes around the needs of its customers. While the seller's customer base includes approximately 40,000 individual accounts, the interaction with the base is guided by the vision that the seller's success is tied to the downstream performance of its channel customers. Thus, the customer base is regarded as a compilation of individual businesses that have unique needs and represent different venues to reach end users.

As a property of *focusing on customers' success*, interact according to customer needs describes the seller's desire to interact with its customer base through personalized interaction with individual customers. From the standpoint of supporting the vision of the firm, this property helps establish the mind-set that every customer is the seller's most

important customer. For instance, Oscar described the relationships with individual accounts as being one where every customer receives the same quality, service, and friendliness irregardless of the amount of business that they conduct with the seller.

> Oscar:
> But as far as what I would do for a customer? *It's all transparent to us. I don't know who I am making this ring for.* The way we work in manufacturing, there's no name connected to anything. So we spend, really the way it works out, *we spend just as much time working on a, a product for the customer that this is the first thing they've ever bought, or the guy that buys $200 a year, or to the guy that buys a half million dollars a year. They get the same quality. They get the same service. They get the same friendliness on the phone* (Para 15).

The removal of account names in the manufacturing process reinforces the idea that the seller seeks to establish consistency of value throughout the base and views each account as being as important as any other account.

Additionally, the focusing of interaction around customer needs also recognizes the inherent differences amongst customers. As John explains, the seller seeks to establish relationships with every account and not just with the accounts that are capable of spending significant dollars.

> John:
> When a regional manager calls on an area, basically we are responsible for all accounts in that region. And that means we have included our core customer, which is the independent retailer...*we feel like relationships should be across the board not with just specific accounts who are capable of doing significant dollars, but any account because we've built our business on the independent retailers.* (Para 10).

As shown in the aforementioned example, the needs of small accounts are important to the seller and actually represent the core of the entire customer base.

The variation amongst customers identifies the presence of segments which may have different needs or demands. While the seller seeks to establish relationships with every customer, it has created relational competence which allows it to adapt the way it interacts around the needs of specific customers. For instance, Randy explains that Acme Co. identified 3,000 of its best customers and created a new communication channel to reach this segment.

> Randy:
> We started a program about a year ago called "special handling." *We took about 3,000 of our better customers and we created a special handling group*, with the premise being that we have become a very big company and, and a lot of our customers love to root for the underdog. *Alot of our customers...felt that we were getting too big. So, we developed this campaign called "we care enough to call."* That's the simplicity of it.
>
> We started out with 12 salespeople and we assigned about 180 accounts to each of those people. We developed some reports for them showing by account, what each of those accounts purchased by product category and we said, initially all we want you to do is call up and introduce yourself as the Special Handling Account Representative and we wanted to let you know that we are here to help you with anything you need help with (Para 33).

The reference above shows the seller's effort to interact according to customer needs. This excerpt also highlights the seller's acknowledgement that it cannot create generic relationships with every customer. The differing needs of customers create segments within the base and challenge the seller to tailor its methods of interacting accordingly.

Interacting based on customer needs also highlights variability in the seller's vision. While Acme Co. focuses on the success of customers, it also recognizes that success is relative to each customer's needs. It is in the needs of customers that the seller

will be able to identify market opportunities. These opportunities for growth become the focus of the seller's effort in creating one-to-one value propositions.

Relational Statement 2

Focusing on customers' success characterizes the seller's vision or mind-set regarding interaction customers focuses on enabling these buyers to be more successful as a result of dealing with Acme Co. The vision of the organization guides its approach to business and provides a certain focus to the direction in which the organization would like to grow in the future. The vision of the seller in this study was particularly interesting because it manages to remain focused on the individual needs of relatively small accounts while doing business with an enormous customer base. Two important properties of the *focusing on customers' success* category included consistency of value and interact according to customer needs.

> RS2: *Focusing on customers' success* establishes a vision for the seller that protects the needs of individual accounts from being generalized during efforts to manage a customer base of 40,000 accounts. *Focusing on customers' success* influences the seller's effort in *managing the customer base* by providing consistent value and by tailoring interaction with customers around their organizational needs.

Creating a 1-to-1 Value Proposition

The effectiveness of seller's in delivering value to customers is largely influenced by their ability to develop a value proposition that speaks to the needs of individual buying organizations. As mentioned in the previous section, *focusing on customers' success*, the seller in this study views its business as one where it assists downstream

channel customers in delivering value to end users. The adoption of this vision also enables the seller to remain focused on the needs of individual accounts while managing an extremely large customer base.

In this study, the seller retains its focus by creating a value a 1-to-1 value proposition that seeks to communicate the seller's ability to deliver value and seeks to position this value relative to the needs of its customers. As a category of *managing the customer base, creating a 1-to-1 value proposition* characterizes the seller's efforts in developing a bundle of benefits around individual needs of retailers and their respective downstream end users. As articulated in a simple tagline, Eric states explains that the seller's overarching value proposition states that "no one gives you more ways to succeed than Acme Co."

> Eric:
> …one of the things that I've always wanted to portray about the company is that we are not just a vendor. We are not just there to sell you something. And I've kind of conceptualized it in the tagline that I developed that is *we want you to be successful and no one gives you more ways to succeed than Acme Co.* And to me that's the key for all of us to have a business relationship. If you're going to make, if you can make your customer successful, you're going to be successful because the growth of their business is going to grow yours. *It's really a partnership and this to me adds value to that partnership because we are not just there to sell you something, but we're there to grow your business and we're there to grow the industry as a whole* (Para 32).

As described in this passage, the value proposition communicates the value that the seller is bringing to the marketplace and also what this offering can do for the customer's operation. Karl expands on the purpose of the value proposition by describing the outcome of what the seller hopes to achieve when communicating this value to customers.

> Karl:
> I guess one of the things we try to achieve here is to be a one-stop shop…to offer the customer so many different ways that they can succeed, that they don't really go any place else. We want to build that customer loyalty (Para 29-30).

In reviewing Karl's description, it appears that the seller is offering a bundle of benefits that will not only deliver quality products and service, but the value of buying from the seller will also create opportunities to strategically influence the direction of the buyer's operation. Stemming from the derived demand of business markets, the seller has identified relationships with individual accounts as a means for carrying value to end users. By *creating a 1-to-1 value proposition,* the seller has created a certain focus within the organization to tailor value offering to the needs of each customer and to position this value in the marketplace around the needs that influence a customer's ability to compete in the industry. Lee also explains that the market penetration of Acme Co. requires them to focus on growing the purchases of existing customers simply because there are no other customers to acquire within the industry.

> Lee:
> That's our real challenge in the [industry name withheld] business, is that with most, *you have most of the customers as customers, most of the retailers as customers. And the real challenge to us is to sell more to them each year*....So I think we'll help the best customer be more successful then, then we'll just benefit from that. We allow him to compete better with his competitors (Para 54).

From this quote, it is visibly evident that the seller seeks to position its service on a 1-to-1 basis because this is where it can take individual steps towards growing the entire customer base. If the seller is effective in helping each customer grow its business, then the seller is effective in growing their own customer base. This idea is similar to the pie-

expansion concept where rather than focusing on market-share, sellers focus on creating a larger pie or market. Through pie expansion, a seller may maintain the same market share or percentage of the market relative to competitors while the entire industry experiences growth from the expansion of overall market (Jap 1999).

As shown in Table 5-4, *creating a 1-to-1 value proposition* challenges the selling firm to build a bundle of benefits and is comprised of the following three properties: understanding the needs of a customer's business, by establishing organizational competence, and by positioning organizational competence relative to customer's needs. Each of these properties will be discussed in the following sections.

Table 5-4: Definitions Associated With Creating a 1-to-1 Value Proposition

Category/Property	Definition
Creating a 1-to-1 Value Proposition	The seller's efforts in developing a bundle of benefits around individual needs of retailers and their respective downstream end users. "No One Gives You More Ways to Succeed Than Acme Co."
Understanding the Needs of the Customer's Business	The seller seeks to understand not only the specific product or services needs of a retailer, but also the operational and strategic needs that will influence the growth of the retailer's operation.
Establishing Organizational Competence	Developing products and value-added services that will enable retailers to better serve end user markets. Value-Added Services - The Power of the Seller
Positioning Competence Relative to Customer's Needs	The communication of benefits is tailored to the needs which are driving the customer to approach the seller.

Understanding the Needs of a Customer's Business

The first property of *creating a 1-to-1 value proposition* addresses the seller's efforts to understand the needs of customer organizations. In understanding the needs of a customer's business, the seller seeks to understand the specific product or services needs as well as the operational and strategic needs that will influence the growth of the retailer's operation. Throughout this study, participants voiced the need to understand the everyday operational needs of the customer as well as the broader, strategic needs of the customer.

The variation from operational to strategic needs creates an opportunity for the seller to understand where the customer is "today" and where the customer wants to grow as a business "tomorrow." Operational issues are typically objective issues that the seller can learn about through marketing research efforts. According to Todd, Acme Co. collects data through multiple sources to develop an understanding of a customer's basic needs.

> Todd:
> For the smaller businesses, *we do a great deal of customer surveying, we track and manage customer comments, incoming, along with monitoring sales, of course, to get a sense of what the customers needs are and listen to their compliments or complaints* and what products they are interesting in that we don't currently carry and try to fill those needs to extent that it makes sense for the company (Para 15).

John expands on the understanding of individual needs by explain that this understanding provides the seller with specific information that may prevent the seller from try to sell something that does not fulfill the customer's needs.

John:
I want to speak to their specific needs, applications, problems, because that is what I feel a quote unquote relationship is based on. It's not a, you're not trying to put a flat peg in a round hole (Para 14).

In reflecting on this passage, it is evident that the effort to understand operational issues should enable the seller to create value propositions that are tailored to the specific needs of a customer at a specific point in time.

The effort of a seller to understand the strategic needs of a customer is more complex than simply evaluating customer comment cards or tracking feedback. The key to understanding the strategic needs of customers is the seller's ability to listen, evaluate, and make recommendations on how doing business with Acme Co. (seller) will address operational issues as well as the future performance of the customer's organization. Throughout the organization, respondents discussed the situations where they sought to interact with customers in ways that enabled the seller to better understand how this customer worked with downstream end users.

Damian:
...we may meet these customers at trade shows or I may learn about them from a number of ways. If it appears that they have the potential of being a large single customer, then *I'll try to think through and make the organization [seller's] come up with the plans that would make the relationship successful.* For instance...I visited with one of our largest customers, a customer that does forty thousand dollars a year, purchases forty thousand dollars a year with religious product from us....*I was very interested in visiting with them, making sure they are happy with us, trying to place more product in their, the vehicle they use to sell our product to their customer* (Para 29).

By understanding the needs of a customer's business, the seller can begin the process of planning how it is going to addresses these specific needs.

The property of understanding the needs of a customer's business provides support for the customer value hierarchy (CVH) presented in Chapter One. The selling firm in this study used the attribute, consequence, and desired end-state levels of the CVH to create a holistic understanding of its customers' needs (Woodruff and Gardial 1996). Stemming from its focus on customer success, the seller uses what it knows about the customer to assist them in identifying ways to assist customers in attaining higher levels of success.

Establishing Organizational Competence

Utilizing the needs of customer organizations, sellers can begin to decipher areas of value that are important to customers and that may influence the future growth of the customers business. In order to deliver this value to the marketplace, the seller must establish areas of expertise within areas of opportunity. Establishing organizational competence addresses the development of products and value-added services that enable customers (retailers) to better serve end user markets. In this study, areas of competence were described as the "Power of the Seller." The Power of the Seller represents the areas of competence that allow customers to receive unparalleled value within its industry. By receiving higher levels of value from a seller, buyers are then able to offer higher levels of value to their customers. This description of competence is supported by the marketing literature in that it contributes to perceived customer value and it is something that is hard for competitors to imitate (Kotler and Keller 2006). As described by Eric, Acme Co. does not do one thing well, they do many things well and use the synergy that is created amongst these competencies to create a bundle of benefits for customers.

Eric:

> ...*essentially what Acme Co. has done is created a unique position in the industry by being a just in time supplier for everything* from component hardware, level products, that are used in the basic repair, fabrication, etc....*Now what we have done, is we've made that available for same day shipping and next business day delivery* (Para 12).

The excerpt above shows how the seller has established competence in the areas that influence the quality of the product as well as in areas that influence the ability of customer to improve its value proposition to end consumers. The most critical competence in the Acme Co. arsenal is its fulfillment and distribution processes. As evidenced in the following example, the expertise in fulfillment and distribution helped establish a value proposition that lead to the growth of the seller's operation.

Lee:

> ...they realized they had to make product early on because they were having the same difficulties in dealing with the manufacturers that the retailers do. The quality wasn't any good and they didn't send it on time.
>
> ...so they [Acme Co.] *wanted to make good quality product*....That and time marched on and they got the magic of the 800 number. [Offering] toll free inbound calling and *being able to tell somebody while they're on the phone that you've got the product and you can ship it and get it to them the next day.* Those were revolutionary ideas when he first did them in the industry.
>
> That's evolved to a point now where we'll get, on a Monday we'll get between 6- and 7,000 orders from all over the country that the guys can, the *customers can call till 5:00 their time anywhere in the U.S. and they're going to get it the next day.*

In reviewing the excerpt above, it is critical to note that Acme Co. did not always have an extremely large customer base and 6-7000 orders on a single day. The seller's ability to establish competence that produced value for channel customers seems to have played an important role in the value proposition they were able to bring to the marketplace.

Positioning Organizational Competence Relative to Customer's Needs

The creation of a 1-to-1 value proposition is the seller's effort to develop benefits around the customers needs. The value proposition of the seller in this study focused on the myriad of ways it could help a retailer become more successful in serving end user markets. As mentioned in the discussion on use situation, this seller has attained an industry position that puts it into contact we virtually every customer in the market. As shown in the extant literature, it is much more effective to grow existing accounts rather than create new customers (Dwyer and John F. Tanner 2006; Kotler and Keller 2006; Reinartz et al. 2004). Given its industry position, the seller recognizes customer relationships can serve as the means for learning about the customer's needs and growing the customer's business. As described by Lee, Acme Co. actively engages in relationship building by creating opportunities to interact with customers. During these interactions, the seller conscious strives to identify areas of need that it can address for customers.

> Lee:
> *The relationship building I usually do is I try to pick out the ones [customer comments] where they really just don't have the information at hand [uninformed]*....I had one this last month. Somebody said, God, I wish you guys would provide marketing tips and pointers. We do that every month in our newsletter. And so I went through a couple of newsletters and *showed her the things that we would suggest that she do to help grow her business. So, that's kind of the relationship building.*
>
> ...to build a relationship you really have to have two way, there's got to be dialog (Para 16).

Lee's effort in the excerpt above demonstrates the seller's commitment to linking its competence to the needs of the customer. It is in the communication of this link that the seller creates an opportunity to develop a relationship with the customer.

The effectiveness of the seller's value proposition is ultimately determined by its ability to communicate how the seller can fulfill the value customers' desire in the marketplace. Throughout this study, the research participants eloquently articulated the seller's efforts to position the value it offers within the context of the customer's organization. Positioning organizational competence relative to customer's needs address the seller's efforts to match the needs of the customer to the things or activities that it does best. Essentially, the seller positions its areas of competence around the operational and strategic needs of customers. In the following passage, John provides insight into how the seller pulls the needs of customers together with the capabilities of the selling organization.

> John:
> I think we want to look at, is people want to buy light. But price is not what motivates them in the relationship and ongoing business is based on a package [of benefits]. *What we bring to the table as far as product offering, services, what they bring to the table as far as needs, ongoing sales, and longevity. And you put those two together and you know, hopefully you have a good long-term relationship that if managed and maintenanced properly could be, who knows, how long* (Para 12).

In the passage above, John demonstrates how the positioning of competencies relative to the needs of customers can provide a starting place for organizations to work together.

Identifying the areas where needs and competencies compliment one another is ultimately the responsibility of the selling organization. The ability to recognize this match is also the mechanism that can assist sellers in identifying areas of opportunity

within an existing customer base that was not previously known. As Gregg explains, the seller's effort to understand the customer's needs helps generate discussion of how the seller can expand its business with a particular customer.

> Gregg:
> ...generally *I'm trying to get a better understanding of what their needs are and how we can do more business together* (Para 33).

Additionally, Karl explains that the key to assisting the customers in growing their business is to use the customer's needs or desired value as opportunities for developing value offers.

> Karl:
> *You just have to keep bringing them more programs and trying to help them succeed to where they can learn also.* One of the things we thought about and are going to implement this year is like a trade show type things, where *we bring customers in here and help them and teach them what do you look for in certain products, how do you repair this particular piece, or how do you match this particular product with this particular part* (Para 69).

In the example above, the seller documented a number of issues that impede the progress of customers and then planned an event to help these retailers learn methods for overcoming these obstacles. For the seller, this type of event enabled them to create a value proposition that communicates directly to individual customers and the needs that drive the future direction of these buying organizations.

It is important to note that every customer will not receive the same value propositions. As noted in the previous section on interacting according to customer needs, each customer is approach individually by the seller. This interaction is driven by the customer's needs and also by its history with the buyer. Over time, sellers create a

history with clients that enable them to adjust their 1-to-1 value propositions around the fit between the customer needs and their organization's vision. In this study, the researcher used probing questions to elicit information on situation where the seller and customer could not establish common ground. Interestingly, the seller recognized situations where relationships were not possible, but it was only after all options were exhausted.

> Karl:
> We try to keep it always in a win-win situation...*you can't always do that because sometimes they [customers] expect you to do more than you actually can.* That's of course not a win-win situation anymore. Sometimes you have to draw the line and say this is as far as we can go.
>
> *We usually try to bend over backwards to help the customer out*, and as a result that brings in more customer loyalty (Para 22).

This example reinforces the previous discuss tailoring one's interaction to the needs of the customer. While the needs of the customer may provide insight into areas where the seller can provide value, it is important to remember that the seller should create one-to-one value propositions that are also in its own best interest.

Relational Statement 3

Creating a 1-to-1 value proposition is the seller's efforts to develop a bundle of benefits around the individual needs of retailer's and their respective customers. The seller's value proposition in this study stated simply that "No One Gives You More Ways to Succeed than Acme Co." This proposition communicates the ability of Acme Co. to produce value that is tailored to the needs of an individual customer and to produce consequences within the customer's organization that will enable the customer to provide

value to downstream customers. The creation of a value proposition is supported by understanding the needs of a customer's business, by establishing organizational competence, and by positioning organizational competence relative to customer's needs.

> RS3: *Creating a 1-to-1 value proposition* influences m*anaging the customer base* by positioning the competencies of a seller within the context of the buyer's needs or desired value.

Delivering Value through 1-to-1 Relationships

Within the marketing literature, there is a wealth of research on the buyer-seller relationship phenomenon and how companies can should embrace concepts like customer relationship management and supply chain management (Barnes 2000; Dwyer et al. 1987a; Mentzer et al. 2001; Narayandas and Rangan 2004; Reinartz et al. 2004; Wilson 1995). In much of the research on relationship development, it seems like relationships take on the characteristics of almost fictional stop-gap solutions that are implemented to "fix" one's interactions with customers (Dwyer et al. 1987a; Heide 1994; Wilson 1995). Rather than a way of doing business, buyer-seller relationships often become strategies for addressing situations like declining sales, declining market share, increased competition, etc. How should one address declining sales? "Let's start courting customers and see if any have a chance for marriage."

Throughout this study, participants discussed interactions with customers as being "relationships," but they did not suggest that relationships were anything but the dynamic between people exchanging value. Customer relationships, as explained by Randy, are between people and not between business processes.

> Randy:
> ...it just becomes a nature of building that relationship with your customer. And that's people thing. That's not a product thing. There are no two products, or a product does not have a relationship with the customer. A delivery schedule does not have a relationship with the customer. Relationships, in my lifetime and I can't see it ever changing, the only relationships I ever see is between people (Para 61).

As stressed by Randy in this excerpt, the people involved in exchanging value are the keys to the success of customer relationships. With this in mind, it is only fitting that the seller in this study should seek to deliver value to its customer markets through 1-to-1 relationships.

Delivering value through 1-to-1 relationships is the creation of symbiotic interactions with customer organizations for the purpose of proactively working on ways to influence the downstream success of the customer's retail operation. In conducting a member-check with Lee, he stressed that the term symbiotic is important to the conceptualization of relationships at Acme Co. because it represents a continuous effort to transform a large, complex operation into a responsive organization that can successfully interact with the smallest independent retailer and the largest wholesale customer. During this conversation, Lee also put his hands together and intertwined his fingers as a way of showing how the two firms come together while interacting. The image of intertwined fingers is also important imagery because it represents the movement of organizations to come together and work on a common purpose.

Given the vision of *focusing on customers' success* and its efforts in *creating a 1-to-1 value proposition,* buyer-seller relationships represent a means to an end. These relationships provide the venue for conducting business with customers. The notion of

having a symbiotic relationships with its base requires Acme Co. to understand how each customer wants to interact (live with Acme Co.) and then to tailor its services in a way that enable the customer to be successful in selling to its customers. Broadly speaking, Acme Co.'s ability to influence the success of its customer base seems to be the key element in the expansion of interaction or how these two companies are going to co-exist or "live" together.

The category of *delivering value through 1-to-1 relationships* represents the interaction between selling and buying organizations. This category consists of the following three properties: guiding customer interaction, establishing common ground, and managing relationship issues. Each of these properties are highlighted in Table 5-5 and will be discussed in the following sections.

Table 5-5: Definitions Associated With Delivering Value Through One-to-One Relationships

Category/Property	Definition
Delivering Value Through One-to-One Relationships	The creation of symbiotic interactions with customer organizations for the purpose of proactively working on ways to influence the downstream success of the customer's retail operation.
Guiding Customer Interaction	The seller seeks to provide a consistent level of service by providing regimented guidelines for how Acme Co. is going to do business.
Establishing Common Ground	Creating win-win situations with a customer by collaborating on issues influencing the future growth of the customer's business.
Responding to Relationship Issues	The seller's efforts in responding to issues or situations that may interfere with the regimented interaction with customers.

Guiding Customer Interaction

With a customer base of over 40,000 customers, the seller has established a structure for guiding interactions with customers. In guiding customer interaction the seller seeks to provide a consistent level of service by providing regimented guidelines for how Acme Co. is going to do business. These guidelines are communicated to customers as soon as they are qualified by Acme Co.

> Lee:
> ...after they've signed up, they get a big box of all our catalogs and all our sales literature that basically *tells them how to do business with us* (Para 36).

Stemming from this passage, it appears that Acme Co.'s dictates what is expected of customers and helps educate customers about how to efficiently interact with Acme Co.

The typical means of contact between Acme Co. and its base is initiated by customers. In the majority of interactions, customers place a telephone call into Acme Co.'s sales center.

> Randy:
> We have uh approximately 120 people on the phone or that are available to be on the phone. And what's unique about it is that *we don't do a lot of what I call selling...the situation we have here is that there's two catalogs that we sell. Our customers call us and tell us what they want* (Para 13).

When a sales associate receives the call, Acme Co.'s order entry process helps identify the customer and account number. With this information in hand, the sales associates proceeds into the sales conversation.

The typical interaction with customers during a sales call is guided by the automated order entry process that leads the sales associate through the questions that are necessary to ensure order accuracy. Additionally, the guided conversation also helps

ensure that each customer is approached on a 1-to-1 basis and that the level of service is equivalent across all customers.

> Glenn:
> ...they [sales associates] have a business name and an account number. This is the only information that is initially provided them. We try not, other than the little bit of intelligent call routing that we do with the new first time customers, *we try to handle each call, whether it's a hundred thousand dollar account or a thousand dollar account, with the same level of service and we do not differentiate because we don't know if that thousand dollar a year customer is going to be next years one hundred thousand dollar call.* So we have no need to provide the consultant with a great deal of information on the front end (Para 47).

While the process in the excerpt above appears to provide consistency in how Acme Co. interacts with customers, it also creates a routine for how customers interact with Acme Co.

> Martin:
> [Order entry system] basically *sets a standard for every conversation so that you deal with the customer in the same fashion. [Customer] expects the same process time and time again, so that each process, each conversation is basically mimics the next...the customer [goes] basically train them to go in the conversation* (Para 23).

As expressed by Martin in the aforementioned passage, customers begin to expect the same level of service and begin to follow the structure of the order processing systems. The structure of this system is important because it ensures order accuracy, but it also improves the efficiency of interaction with the buying organization.

While the sales process is guided by the regimented ordering process, the conversation with a customer focuses on the needs which initiated the phone call. Each sales person is trained and empowered to take control of the conversation and lead it through the order entry process. As a way of ensuring that sales associates are addressing

the needs of customers, Acme Co. evaluates their performance according to friendliness, knowledgeable, and helpful. In the following passage, Glenn explains the importance of sales associates being happy, friendly, and knowledgeable.

> Glenn:
> ...we measure all of our phone reps in three major categories...*being friendly, helpful, and knowledgeable. From the time they pick up the telephone, that's our first opportunity to be friendly.* So the greeting is tremendously important...we want to try to gauge what the demeanor of that customer is.
>
> And then from the cross selling and up-selling point of view, *we want to make sure that they [customers] are aware of any special promotions or new products that we have. That would allow them to take advantage of it* so that they can be successful because our philosophy is, if our customers are successful, we can be successful.
>
> We are not into one time sales and transactions; we are into long term relationships. And then lastly...*we want in the closing, we always want to thank the customer for calling,* whether they ordered or not, and then *we want to insure that we have accurate shipping information* and ask them if we could go ahead and confirm their order for them...so we try to reduce any possible opportunities for those errors to occur (Para 26).

Glenn's description of being friendly, knowledgeable, and helpful provides the sales associates with the skills necessary to develop an understanding of the customer's needs and to demonstrate how Acme Co. can assist the customer in fulfilling these needs.

As the needs of customers evolve and interaction becomes more complex, sales associates find themselves in positions where they may not have the technical knowledge to assist the customer. In these types of situation, the sales associate can use the automated structure to move the customer's concern to a technical specialist that can address the customer's concerns and complete the conversation.

Todd:
...the fundamental kind of first tear interaction with the customer is when they call in to place an order, or to inquire. It [interaction] is pretty much the same across the board.

If they need more information than we have specialized consultants that they can be sent to that would be able to provide more in-depth information (Para 41).

The ability to transfer customer expeditiously to specialized knowledge sources in the passage above reinforces Acme Co.'s vision to focus on the customer's success. By structuring the interaction with customers, the seller has organized and positioned competence to be leveraged when opportunities arise during the course of business with customers.

Establishing Common Ground

A key property of *Delivering value through 1-to-1 relationships* is the establishment of common ground between selling and buying firms. In establishing common ground, the seller is seeking to establish "win-win" situations with a customer by collaborating on issues influencing the future growth of the customer's business. As explained by John, finding common ground between the organizations enables the seller to determine if there is an opportunity to develop a relationship with this customer.

John:
...a good indication as to whether it is a good long term customer or not is *once you get inside the organization and you understand the people, ownership, director, and the philosophy there...if that meshes well with this company [seller] that's a good indication* (Para 26).

As noted earlier in the discussion of guiding customer interaction, Acme Co. proactively communicates how they expect customers to do business with their operation.

Expectations of 1-to-1 relationships exist on both the buying and selling side. The mutual understanding of these expectations is an important part of establishing common ground between sellers and buyers. Oscar explains the importance of understanding the expectations of participating firms in the following manner.

> Oscar:
> When there are expectations that are understood on both sides, then it's really difficult to fail...and I think that one of the key issues is that we communicate with them and get a very good understanding of what they need and then we, we follow up and deliver that (Para 19).

In the abovementioned selection, it is interesting that Oscar mentioned the seller's effort to understand the customer's needs, but did not mentioned the seller's effort to communicate its own expectations. He simply said the seller must then follow-up and deliver according to the customers expectations. Based on this comment, it seems like the seller may set an initial structure (how to do business with us) within which the customer's expectations drive the interaction.

The establishment of common ground between firms appears to vary around the needs of the participating organizations. The establishment of structure which guides interaction is supported by the governance structure literature (Heide 1994). As interaction between firms continues over time, buyers and sellers adapt the guiding structure to reflect the situation within which the relationship is being used. The common ground established between firms is also relative to this use situation. Governance structure vary from unilateral to bilateral and enable buyers and sellers to adapt its interaction around the needs of the relationship (Heide 1994).

Responding to Relationship Related Issues

Responding to relationship related issues deals with the seller's efforts in addressing issues or situations that may interfere with the regimented interaction with customers. In this study, responsiveness was particularly evident in Acme Co.'s effort to connect customers with technical questions to knowledge centers within the organization and in Acme Co.'s reluctance to stop doing business with a customer. In regards to connecting customers to knowledge centers, this is part of the structure guiding customer interaction. However, the act of responding requires sales associates to quickly identify, assess, and effectively transfer the customer to the appropriate expert goes beyond simply transferring a phone call. This transfer or response to a customer constitutes Acme Co.'s willingness to leverage its competence in *delivering value through 1-to-1 relationships.* As shown in the following passage, the positioning of expertise around relationship related issues enables Acme Co. to develop technical solutions that are more effective in address the customer's situation.

> Doug:
> If a customer is talking about fabricated metals and they start to get in some technical stuff, *we'll transfer the call to somebody in metallurgy* that knows what they're talking about. If they're going to talk through the characteristics of some $50,000 product, *they'll get to somebody in the corresponding area that can speak to that specifically* (Para 59).

In this passage, the importance to speak specifically to the issue at hand serves a key role in the seller's effort to assist the customer and in strategically trying to improve the customer's operation.

The second element of Responding to Relationship Issues centers on the seller's desire to not say "no" to a customer. With such a large customer base, one would assume

that the seller would have little tolerance for customer's that do not pay their bill, pay late, or engage in opportunistic behavior. As expressed in several interviews, the seller is driven to find a way to help each customer, even in situations where others may choose to cut-off the customer. Part of the reason to exhaust all options before saying no is out of respect for Acme Co.'s vision and for the other members of the selling organization that are trying to work with this customer. As explained by Oscar in manufacturing. If he says no, he knows that his teammates in marketing and sales will be directly impacted by his action. Thus, he exhausts all options before saying "no."

> Oscar:
> ...so a lot of times, especially if it's the first time out the gate with these people or if they're a relatively new account and *we're really trying to court them to order regularly from us. The last thing we want to do is tell them no.*
>
> And, you know, Jay Jackson, who runs the logistics arm [said] "figure out a way to say yes. Never tell the customer no."
>
> And there are rare instances when we do tell a customer no. But, and in those times it's, it's not easy on me because I realize the problems I'm causing on the other end by saying no. And it's not easy down the line to tell that customer no because the, the sales consultant knows that he's letting the customer down. That customer generally has to go tell his customer he couldn't get it done and there are ramifications all the way down the line.

From this passage, it is readily evident that the bleed-through of the decision to say "no" has implications that not only affect the buying and selling organizations, but it also affects the end user who is expecting the retailer to be able to deliver on its promise.

Recognizing the bleed-through of decisions to stop doing business, Acme Co. has developed options that help them proactively address the issues which can arise in 1-to-1 relationships. The seller will assist customers in developing solutions to issues that

disrupt interaction it will help the customer maintain its source of supply. As shown in the following passages, Karl describes a scenario where Acme Co. actually helps the customer with bookkeeping.

> Karl:
> *We usually try to bend over backwards to help the customer out, and as a result that brings in more customer loyalty* (Para 22).
>
> Usually in the finance area it comes to a point to where *you want to work with them on the credit side, but it comes to a point where you just can't ship them anymore product* until they get their bill straightened out.
>
> *And we try to bend over backwards to work with them.* You know one of the things that we've even tried to do…is to help them [customers] straighten out their account. *In other words become a bookkeeper for them....sometimes they get in a bind to where they don't understand the billing system that we have here. So we work with them on that* (Para 24-25).

As evidenced in this quote, Acme Co.'s actions embody the spirit of its vision to help customers succeed in delivering value to downstream customers. The willingness to bend over backwards for a customer facing an adverse situation has become a hallmark of Acme Co. and helps to build more a more loyal customer base.

Relational Statement 4

Delivering value through 1-to-1 relationships is the creation of symbiotic interactions with customer organizations for the purpose of proactively working on ways to influence the downstream success of the customer's retail operation. As a way of enabling relationships with individual accounts to develop, the seller provides a regimented structure of "how to do business with Acme Co." While this structure naturally guides interaction, it also helps ensure that individual customers and the future

of their operation do not fade away when considering the task of managing 40,000 customer accounts. Stemming from the guiding structure, the seller also utilizes 1-to-1 relationships in establishing common ground between its organization and a customer's organization. By establishing common ground, the seller and customer can begin to realize how they can collectively influence the customer's success in delivering value to downstream markets. Lastly, the seller in this study delivered value through 1-to-1 relationships by being responsive to the needs of its customers. Acme Co.'s responsiveness was characterized by its capability to link customer with appropriate internal knowledge sources and its willingness to exhaust all options before telling a customer "no."

> RS4: *Delivering value through 1-to-1 relationships* influences the *managing the customer base* process by providing a means or vehicle for fulfilling the needs of customers while collaboratively influencing the customer's success in serving downstream markets.

Experiencing the Consequences of 1-to-1 Relationships

Experiencing consequences of 1-to-1 relationships addresses the outcomes buyers and sellers are actually subjected to as a result of engaging in relationships with customers in specific use situations. Being subjected to the consequences of a relationship represents the buyer or seller's actual experience of realizing these outcomes. When discussing the consequences of relationships in this study, Lee notes that in order for the participating firms to truly understand the value of business processes, they have to actually experience this outcome.

> Lee:
> ...where we were talking about Acme Co. dependability. Again, a lot of companies will promise that they'll deliver and they'll let you down more,

> more than once or more than often. *That's one of the strengths and that's part of it, and you really have to kind of experience that to, to really understand that you call and you get it the next day. It's just like magic* (Para 34).

In the aforementioned excerpt, Lee points out that many firms promise value and then fail to deliver. At Acme Co., they promise value and deliver on time 99.59% of the time. The experience of receiving product on a next day basis is a part of a value proposition that is hard for customer to conceptualize and is often referred to as "magic."

This notion of magic is important to understanding the experience associated with seller-buyer relationships because it characterizes consequences that are incomprehensible. The term magic is mysterious and to use it in a business situation suggests that the seller is an illusionists and maybe using "smoke and mirrors" to sell product. While evaluating the magical experience of customers in dealing with Acme Co., the researcher was drawn to other uses of the word magic. Comparisons were made with other uses of magic like Disney's Magic Kingdom, the magic of Disney, the magician David Copperfield, and Magic Johnson. The most enlightening comparison was made with the "magic of Cirque du Soleil." As described by Kim and Mauborgne (2004), the magic of Cirque du Soleil represents the organization's ability to create blue oceans creating new industries or by recreating existing industries. Acme Co. mimicked this magic by introducing innovative fulfillment and distribution capabilities into its industry.

While the magic of Acme Co. is primarily a customer consequence, this magic also creates relationship consequences for Acme Co. As shown in Table 5-6, consequences are categorized according to buyers and sellers. For sellers, the primary

Table 5-6: Definitions Associated With Experiencing the Consequences of 1-to-1 Relationships

Category/Property	Definition
Experiencing Consequences of 1-to-1 Relationships	To be subjected to the consequences produced by 1-to-1 relationships with specific customers in particular use situations.
Acme Co. Consequences	Relational consequences or what the relationship with a customer does for the selling firm.
Growth in business	Individual relationships combine to influence the overall growth of the customer's business.
Just In Time Supplier and Associated Responsibility	The fulfillment and distribution capabilities enable the seller to become a JIT supplier for customers. As the JIT supplier, the seller is now responsible for the welfare of these customers.
Earning Credibility	The seller has earned the confidence and trust of the customer base by consistently delivering quality products and value-added services as promised in its value proposition.
Gaining Trust	The willingness to rely on an exchange partner in whom one has confidence.
Customer Consequences	Relational consequences or what the relationship with a customer does for the buying firm.
Supply Chain Bleed through to End Consumers	The actions of upstream suppliers filter through the customer's organization and influences end user markets.
The Power of the Seller	The fulfillment and distribution capabilities of the seller enable the buyers (retailers) to operate under shortened lead times and to more profitably manage its inventory.

consequences include growth in overall business base, becoming a just in time supplier and managing its subsequent responsibility, and credibility. The consequences experienced by customers include the "Power of Acme Co.," and supply chain bleed through to end consumers. Each of these consequences will be briefly discussed in the following sections.

Seller Consequences

The *consequences of 1-to-1 relationships* that sellers experience focus on the growth of its business base, the responsibility that is generated from being a JIT supplier, the earning of credibility in the market, and the attainment of customers' trust. The first consequence, growth in Acme Co.'s business base, stems from the synergy created when combining the growth of each individual relationship. When asked to evaluate the performance of individual relationships, Karl noted that this was a difficult task given the large number of customer accounts. Thus, Acme Co. focuses the evaluation of relationship performance on a per customer basis.

> Karl:
> I guess you have to look at it individually by customer rather than as a whole. It's hard for us to do it because we have too many customers. We're not like a lot of people in the industry, that only have a few thousand. We have tens of thousand of customers and yes we do have reporting that tell us that these are the guys that purchase the most and these are the guys that purchase the least and we try to work with them to go to the people to say what can we do to help you achieve what you really want in your business (Para 46).

As show in this passage, consequences of relationship performance are produced by interactions with specific customers. These consequences are then used to determine the

future needs of the customer's business and provide the seller with insight into how they should approach future interactions with the customer. This is interesting because it really reinforces the organization's vision of focusing on the success of individual accounts. By remaining focused on the growth of individual accounts, Acme Co. maintains its belief that the success of individual customers will influence its overall business performance.

The second consequence for the sellers acknowledges the responsibility that is generated from being a JIT supplier. Through the development of 1-to1 relationships and its fulfillment capabilitities, Acme Co. has become a just in time supplier for many retailers in the U.S. market.

> Lee:
> *...we've become their just in time supplier. We have their inventory.* Years ago the retailers would carry great inventories in their stores because they never knew when the salesman was going to come and they never knew the, the lead times were very unpredictable from the manufacturers. *And so we kind of took that away and said, we'll get it to you tomorrow. And, and once you do that, then they don't need to keep six months supply in their store* (Para 12).

In the aforementioned passage, Lee notes that customers recognized the value in next day delivery and simply let Acme Co. carry their inventory for them.

While being a customer's JIT supplier helps establish more dependence on Acme Co.'s operation, it also creates more responsibility for Acme Co. in the marketplace. Since customers are relying Acme Co. to deliver product on a next day basis, this places pressure on Acme Co. to effectively manage an extremely large product mix and complex fulfillment processes. As described by Gregg, it is a large responsibility to ensure that

product is always available and that Acme Co. is always ready to serve the needs of its customers.

> Gregg:
> *...in dealing with them [customers] in a JIT environment they become more and more dependent upon you* and it's really tough from Acme Co.'s standpoint to operate long term in that environment. *It becomes tougher and tougher. Not in the form of success, but just in the pressure of being there 100% of the time. You know, we have to be in stock, we have to be able to do the order for tomorrow, we have to take be able to take their phone calls, we have to be there for them constantly, and that's a lot of responsibility.* The company is very customer oriented and we try to do what is best for the customer. The success of the company will come, that's already been proven (Para 27).

It is important to point out that while the responsibility accompanying Acme Co.'s role as a JIT supplier does produces pressure, this pressure seems to stem from Acme Co.'s internal drive to provide personalized value to each customer account.

A third consequence experienced by seller focuses on the credibility it earns from customers as a result of consistently delivering the promised quality products and value-added services to individual customers. By fulfilling its promises to customers, Acme Co. earns credibility because they have performed according to plan and have delivered value in ways that are specifically tied to the needs of customers.

> John:
> ...in order for you to trust me and that's what I think relationships are based on, *if I'm going to have credibility with you, you have to feel that I am working in your best interest.* If there is something that you are doing that I feel you could do, you shouldn't be doing, you could different or you could do better, or whatever, I owe it to you to tell you. You don't have to agree with me, you don't have to embrace it or use it, my feeling is that I need to tell you. As long as I do that without a personal agenda, I think people sense that, I think people like that, and I think people are drawn to that (Para 16).

In John's description of credibility, establishing credibility requires the customer to have confidence in that the seller is working in their best interest. Based on this finding, another important consequence of seller-customer relationships is the gaining trust of customers.

The final consequence of 1-to-1 relationships for sellers is gaining the trust of customers. As presented in Chapter Two, trust is essentially the willingness to rely on an exchange partner in whom one has confidence (Moorman et al. 1992; Morgan and Hunt 1994; Weitz and Jap 1995; Williams et al. 1998; Wilson 1995). While this definition of trust was supported in this study, the seller placed added emphasis on gaining trust from customers.

> Gregg:
> ...they [customers] have to have a feel for your honesty, you have to really *gain their trust* (Para 17).

Cindy also demonstrates the consequence of trust by explaining that the seller's actions, especially when they bend over backwards for customer, assist in building confidence that they are working in the customer's best interest.

> Cindy:
> They'll see *what we are doing and they see how much we are trying to help them.* And then they say, ok, Acme Co. is more understanding than a lot of companies out there. If you are honest, *they'll trust you all the way* (Para 21).

As demonstrated in this example, the attainment of trust is a consequence of the seller's action. Seller's have the opportunity to gain the trust of customers by honestly working in the customer's best interest.

Customer Consequences

Customer consequences represent relational outcomes or what a specific relationship does for the buying firm. This study did not interview customers of Acme Co., so it is important to note that this discussion is based on the seller's perceptions of the relational consequences. The first consequence addresses the influence sellers may exert on the buyer's ability to serve its market. Bleed-through from a selling organization may be positive or negative in nature. Positive bleed-through may be consequences like co-op advertising campaigns that are used to communicate promotions with end consumers. As explained by Oscar, telling a customer no it a tough decision because the seller knows that the customer has to then go and tell their customer no.

> Oscar:
> ...it's not easy down the line to tell that customer no because the, the sales consultant knows that he's letting the customer down. *That customer generally has to go tell his customer he couldn't get it done and, you know, there are ramifications all the way down the line* (Para 33).

Besides letting his customer down in this example, Oscar shows where the seller caused the customer to let its customer down. The creation of negative consequences seems to run counter to Acme Co.'s focus on improving the success of its customers' organizations.

The Power of the Seller

The Power of Acme Co. is a combination of consequences that are produced by Acme Co.'s fulfillment and distribution capabilities. As a customer of Acme Co., buyers have an opportunity to influence the future growth of their firm by working collaboratively with Acme Co. to manage inventory in a more profitable manner and to

place orders with shortened lead times. In the following excerpt, Doug explains that inventory turn rates in the industry are extremely slow.

> Doug:
> ...as a just in time oriented supplier in an industry where the turn rate is 8/10ths of 1 time per year, we are the most profitable supplier any of our customers have (Para 51).

The ability of Acme Co. to deliver on a JIT basis enables the customer to reduce the amount of inventory being carried and to purchase on an as need basis. The reduction in inventory influences the customer's profitability because it creates savings in inventory carrying cost.

The Power of Acme Co. is also experienced in the area of value-added services. In the following passage, Randy describes several value-added services that expand the influence of Acme Co. within the retailer's operation.

> Randy:
> ...there's a lot of the programs that we could offer you if we could have some of that business. *We can give you window posters for all of your stores that are going to entice your customer in, into your store. We'll give you tapes which can run continuously in your store that talks about the different quality of products. We can give you some co-op advertising dollars so you can advertise in your local newspaper*....because could you buy from us already, you know that you don't have to buy a tremendous amount from us. Basically you can just put some things in your showcase. *If somebody wants something they can have it the next day because we can have it to you the next day. Here are some of the advantages that I can give you that maybe you don't have today.*

While Randy's example above focuses on the things Acme Co. can do for the customer, his presentation of these items helps the customer link these value-added services to consequences, like increased end user business, which can influence the future success of the retailer's operation. While the Power of Acme Co. provides products and value-

added services, it also seems to provide a channel that makes it easier for customers to attain what they need, when they need it, and in a bundle of benefits that strives to help the customer improve its downstream performance.

Relational Statement 5

Experiencing consequences of 1-to-1 relationships addresses the outcomes of relationships that sellers and buyers are subjected to as a result of engaging in a relationship within a specific use situation. These consequences are grouped into buyer and seller consequences. Buyer consequences include growth in the buyer's business, becoming a JIT supplier and handling the associated responsibility, and credibility. The seller consequences include bleed-through from the seller that impacts end users, and the Power of Acme Co.

> RS5: *Experiencing consequences of 1-to-1 relationships* provides an understanding of the outcomes (positive or negative) associated with customer relationships. Building on this experience, consequences can influence decisions within the *managing the customer base* process.

Summary of Relation Statements Supporting Managing the Customer Base

> RS1: *Understanding the Use Situation* to *Managing the Customer Base*
>
> *Understanding the Use Situation* helps the seller identify important situational characteristics that may influence the seller's performance in producing and delivering value to downstream customers. It provides a perspective of marketplace variables that should be used in *Managing the Customer Base*.

> RS2: *Focusing on Customers' Success* to *Managing the Customer Base*
>
> *Focusing on Customers' Success* establishes a vision for the seller that protects the needs of individual accounts from being

generalized during efforts to manage a customer base of 40,000 accounts. *Focusing on Customers' Success* influences the *Managing the Customer Base* process by creating a mind-set that the future of the seller's operation is dependent on the success of individual accounts.

RS3: *Creating a 1-to-1 Value Proposition* to *Managing the Customer*

Creating a 1-to-1 Value Proposition influences the *Managing the Customer Base* process by positioning the competencies of a seller within the context of the buyer's needs or desired value.

RS4: *Delivering Value through 1-to-1 Relationships* to *Managing the Customer Base*

Delivering Value through 1-to-1 Relationships influences the *Managing the Customer Base* process by providing a means or vehicle for fulfilling the needs of customers while collaboratively influencing the customer's success in serving downstream markets.

RS5: *Experiencing Consequences of 1-to-1 Relationships* to *Managing the Customer Base*

Experiencing Consequences of 1-to-1 Relationships provides an understanding of the outcomes (positive or negative) associated with customer relationships. Building on this experience, consequences can influence decisions within the *Managing the Customer Base* process.

Procedural Nature of Managing the Customer Base

Managing the overall customer base is a continuous process that integrates the five key categories described previously in this chapter. These categories include Acme Co.'s vision of focusing on customers' success, the situation context, the development of

its value proposition, the deliverance of value through 1-to-1 relationships, and the actual experience of receiving outcomes of these relationships.

In addressing the overall research question of "why do firms develop, maintain, and/or dissolve buyer-seller relationships?" the researcher finds that Acme Co. has grown its business by using 1-to-1 relationships as a means to end. It is in this area that the significance of Managing the Customer Base is realized. The process starts from a scenario that finds Acme Co. facing the challenge of managing an extremely large customer base. The key to managing the base is the ability of the seller to break the base down into components parts. The components which comprise the overall base are individual accounts. As explained by Glenn, Acme Co. has been effective in establishing and maintaining relationships with a large percentage of its existing customer base.

> Interviewer:
> What percentage of your customer base would you say you have a relationship with?
>
> Glenn :
> At any given time during the month, I would say that twenty eight thousand of our customers are either ordering from us or owe us monies from the prior month based upon a customer base of approximately, that exceeds forty thousand. So, ballpark would be somewhere about two thirds of our customers (Para 17-18).

Each account represents an opportunity to affect the performance of the entire base. For this reason, Acme Co. focuses on selling more to its existing base by maintaining relationships with each customer. Besides, as explained by Randy, it is much easier to keep an existing customer than it is to develop a new customer.

> Randy:
> *The thing is that it's much easier to build business with an existing account than it is to find a new account*....Why start from scratch when you have a base there...a good solid base that's been built...just keep building upon it.
>
> *And the more we can make those customers that we currently have successful, the more we're going to be successful.* Quite frankly, it's a heck of a lot easier than trying to go out and cultivate new ground (Para 41).

In *Managing the Customer Base*, relationships provide structure for exchanging value and provide a context for working collaboratively to grow the customer's business. The process of managing the base really boils down to managing one's business with every customer account in a way that is good for both the seller and the customer.

As articulated in the section *Focusing on Customers' Success*, the vision of Acme Co. is to grow its business by assisting customers in growing their businesses. As a vendor of quality products and value-adding services, Acme Co. seeks to establish a role within the customer's plan for how they (customer) are going deliver value to end user markets. With every customer, Acme Co. communicates its value proposition through the tagline "No One Gives You More Ways to Succeed than Acme Co." Naturally, the opportunity to contribute to a buyer's success is going to depend on what is going on in the customer's operation and/or in the industry (use-situation). The delivery of value through 1-1 relationships is a practice that tailors the seller's immense product mix and value-adding service to the needs of each customer. To establish clarity in how this process occurs over time, the researcher will describe a typical first encounter and then will describe how Acme Co. handles repeat business.

With first time customers, the role Acme Co. plays in the customer's plan is derived from the needs of the customer and is most likely minimal in nature. However, the first contact with a customer provides an opportunity for Acme Co. to lay the groundwork and begin creating the desired market position. Doug explains that upfront, Acme Co. makes an investment in the customers business by providing resources that they can use in creating solutions for end users.

> Doug:
> But our window to the world is through buying catalogs, first CD Rom catalog in the industry. Somebody becomes a new customer they, it costs us over a hundred dollars just in our printing costs for their set of catalogs. Useful life of the catalog is about two years.

Along with the first set of catalogs, Acme Co. communicates varies ways that customers can use in making purchases or in getting help from Acme Co. employees. This first interaction also provides an opportunity for the customer to experience the Power of Acme Co. and all of the Magic that goes along with it.

After setting up a customer's account and providing the catalogs, Acme Co. proactively follows-up with the customer to assess the customer's situation. The first interaction provides an opportunity to produce the first purchase. Whether successful or unsuccessful in making a sale, Acme Co. follows up with the customer to learn about their experience and to identify ways that Acme Co. can grow with the customer. If the customer purchased product, Acme Co. is seeking information on the customer's perception of the product quality, delivery, customer service.

> Lee:
> …after they've signed up they get a big box of all our catalogs and all our sales literature that basically tells them how to do business with us. If they, if they order right away *they'll be called after they place their first*

> *order and we'll ask them uh, I think within a week of their first order they'll call and say, did you get your order okay? Was everything, did you find it all in order? Any issues, any problems, any feedback you want to provide us? [We want] to make sure that- that link has started* (Para 36).

The last part of Lee's quote is important to the process because it shows Acme Co.'s proactive effort to identify problems that may affect the development of a relationship with a particular customer.

While following up the initial contact with customers, Acme Co. will call customers that have received the catalogs and have not made a purchase. In this situation, Acme Co. is seeking to evaluate the customer's first experience in dealing with Acme Co. and to understand the why the customer did not buy from Acme Co.

> Lee:
> If they don't buy from us *we call them about three times at various stages...to see why they're not buying or what do they want to buy that they thought we had that, that they didn't discover here....why they're not buying*....Eventually after about three calls...it gets to the point where you feel like you're aggravating the person so they usually don't call after that, unless they would place an order.
>
> *And then they would call like I said with the first order routine, go through and ask if you have any problems.*
>
> *So that's kind of how we find out about them* (Para 36).

The effort to follow-up in a non-purchase provides the opportunity to learn about potential impediments between the customer and Acme Co. Additionally, Acme Co. uses this opportunity to learn about where this customer wants to go and can then assess why Acme Co. is currently not an option for the customer's business.

Stemming from the follow-up exercise, Acme Co. sets its sights on continuing to provide the current products/service a customer is currently purchasing and on expanding

its sales with this customer. In *Delivering Value through 1-to-1 Relationships* it was noted that Acme Co. intentionally guides interaction with customers to ensure that every customer receives the same level of service. It was also noted that Acme Co. evaluates each sales person on their ability to be friendly, helpful, and knowledgeable when interacting with customers. These skills enable Acme Co. to effectively communicate and assess business opportunities that may exist with a customer.

The assessment of opportunities requires the salesperson to be knowledgeable of the current use situation within which he/she is encounters the customer. The use situation in case would include issues associated with the industry, Acme Co., customer, and end user market. As explained by Randy, it is Acme Co.'s responsibility to develop a plan for how they are going to approach a customer's business.

> Randy:
> The objective is your customer....you develop a battle plan...and then you've got your weapons, but your weapons are your product or your programs that you offer...and you're just going after business, but you don't waste your time on those businesses that are, that don't fit into, to your scope, your spirit (Para 63).

Strapped with a sales plan and knowledge of the customer, the sales associate can focus on a customer's success by offering strategies or solutions that may help a customer overcome a problem (inventory management) or expand into new markets (developing new product lines).

When planning to call on some customers or when receiving a call from others, Acme Co. is continuously striving to position product lines that the customer does not currently purchase around the customer's existing purchases. As Randy shows in the

following excerpts, knowledge of a customer's business is used to build inroads into other areas of the customer's business. First it is used to identify opportunities.

> Randy:
> [Customer Name]...*I see that we don't have any of your tools and supplies business. Is there a reason for that?*.... You might say to me, "well I've been buying from so and so for a long time and they give me a great price because of the quantity that I buy." Well, [Customer Name], you know, without giving away secrets, like what kind of quantities do you buy in a year? And you might say to me, "well I buy $100,000 worth in a year" (Para 65).
>
> ++++++++++++++
>
> ...another example would be, [Customer Name], *I notice that uh you're, you're not buying any finished goods from us and ask why.* Well, I've been dealing with so and so for years (Para 65).

Then the knowledge of the situation and of the customer is used to tailor Acme Co.'s value proposition around the needs of the customer.

> Randy:
> *...the sales development person will go out, they'll say, this account will do well with a wedding band program. This account will do well with a metals program. We see potential* and if you were an account I would say to you, now I'll tell you what, based on what you've told me, I think you can do $100,000 a year with us at Acme Co. (Para 45).
>
> ++++++++++++++
>
> *If you will commit to $100,000 this year in business, here's what I'm going to offer you.* I may give you special pricing on one of the categories to build that part of the business. I may give you a rebate program, if you will (Para 45).
>
> ++++++++++++++
>
> You know, Geoff, *if you can give me that kind of commitment for a year, uh here's what I'll do. I'll give a volume discount price on that* (Para 65)..

The tailoring of the of the value proposition incorporates many of Acme Co.'s value-added programs. These programs are designed as tools that can be used by customers to improve their effectiveness in delivering value to downstream end users. As explained by Randy, Acme Co. uses them as programs to grow and solidify their business with certain customers.

> Randy:
> We have a lot of programs here that we don't advertise to the general populace because we couldn't afford to do it. *What we do is we, we take our programs and we use them to try to build good business partnerships with key accounts for lack of a better term* (Para 45).

The offering of programs is dependent upon the opportunity Acme Co. has to expand its business with a customer and includes services like co-op advertising, window posters, merchandising programs, pricing programs, and rebates.

> Randy:
> [Customer Name] I don't know if you are aware of this, but there's a lot of the programs that we could offer you *if we could have some of that business.*
>
> *We can give you window posters*...that are going to entice your customer in, into your store. *We'll give you tapes which can run continuously in your store* that talks about the different quality of products. *We can give you some co-op advertising dollars* so you can advertise in your local newspaper.
>
> Here are some of the *advantages that I can give you that maybe you don't have today.* But from a customer program standpoint it's *merchandising programs* that we offer that maybe some other people don't....it could be *price program*... volume discount type things....it could be a *rebate program* (Para 65).

In the excerpts above, it is important to note the presentation of the value-added programs. In communicating with the customer, Acme Co. weaves the voice of the end user into the conversation. The purchases of end users are critical to the process of

managing the customer base. Without the end user, the retailer does not sell anything and thus, the retailer does not turn to Acme Co. for supply.

The stability of interaction between Acme Co. and its customer base is critically important to how the Managing the Customer Base process evolves over time. Acme Co. utilizes the time they are interacting with customers to make sales and to build future sales. Other than a handful of sales development employees, the vast majority of interaction with the customer base is started by a customer calling into the call center.

Overtime, the interaction with a customer continues to grow in regards to scale or complexity, but Acme Co. feels that the relationship with a customer. As mentioned before, Acme Co. works diligently to treat every customer the same way. This was evidenced in their resilience in exhausting all options before turning away from a customer's business. As these interactions with a customer evolve, Acme Co. continues to identify ways that they can bring value to the customer's organization. In this way, Acme Co. simply duplicates the effort they used to build the existing business with a customer. The identification of new opportunities will bring the availability of value-adding programs and the dependability of Acme Co. quality in every product purchased.

The identification of opportunities with customers and the development of value-adding programs help account for variation in *Managing the Customer Base*. As the needs of customer change, Acme Co. is able to adapt the dynamic of its relationship with this customer. The focus of Acme Co. is on enabling its customer to be more success. While it provides a multitude of products and value-added programs, Acme Co. also recognizes the environment in which their customer competes. Of course they would like

to always sell more, but Acme Co. exhibits the unique ability to be patient when cultivating new business with customers.

The interface between Acme Co. and its customers is one where Acme Co. understands that there is a time and place for everything. Acme Co. uses a soft-sales approach and seeks to identify the right time and place when asking a customer for a larger part of their purchases. The ability to hold back and patiently way is naturally influenced by Acme Co.'s size. Small companies may not have the luxury of waiting for opportunity knock when they feel like the opportunity already exists within a company. As explained by Doug, Acme Co. knows exactly where it wants to go and has planned the route to get there.

> Doug:
> ...we have probably more discipline than, and I mean this in a very positive way, discipline in the planning process and the budgeting process than maybe anybody in our industry. It's not unusual in the world of commerce to do what we do, but the entrepreneurial nature of most businesses, at least in our industry, is such that they tend to fly by the seat of their pants and tend to be like Columbus who didn't know where he was going when he took off, didn't know where he was when he got there and didn't know where he'd been when he got back (Para 11).

The analogy of Christopher Columbus is interesting because it really highlights the strength of Managing the Customer Base process.

While the scale of the operation has grown, it has maintained its ability to exchange value through 1-to-1 relationships. In *Managing the Customer Base*, Acme Co. has shown the ability to tailor the value proposition to the needs of a single company and then leverage the resources of the organization to deliver value to a single company. Depending on the customer, the scale of the relationships may become more complex but

it will not include service or activities that are not available to other companies. The nature of a 1-to-1 relationship at Acme Co. is derived from the need of its customer. *Focusing on Customers' Success* enables Acme Co. to create an environment that is intimate and tailored to each customer. Their ability to maintain and continually improve relationships each customer produces a thickening of a single account within the overall customer base. By thickening one account at a time, Acme Co. has developed a successful process for *Managing the Customer Base*.

Conclusion

Managing the Customer Base represents a process that establishes a business structure which enables a selling organization to fulfill customer needs in ways that make the customer's business more successful in delivering value to end users. This process maintains specific principle regarding its focus on the customer's success, the identification of customer needs, and the need for sales associates to be friendly, knowledgeable, and helpful in articulating the position of Acme Co.'s value relative to the customer's needs. While managing a base of 40,000 seems like it should be complex, Acme Co. seems to make it look easy. Throughout the study, the researcher has been enamored with the simplicity of the process and finally understands why customers say Acme Co. performs "Magic."

Understanding the "Magic" requires one to step back and look at the organization from the customer's viewpoint. As a single customer, one can call in and talk with a friendly person that is truly interested in helping you satisfy your customer. This personal interaction is done in a way that the customer does not notice the notice the size

of the operation and interacts with Acme Co. like they would with any other supplier. The difference is that Acme Co. is not any other supplier. They are a supplier that serves virtually every retail store in its industry in the United States and has a supply chain that wraps around the globe.

There is nothing magical about what Acme Co. does. The magic is how they do it. Following is a scenario that Acme Co. makes happen over 6-7000 times a day at Acme Co.

1. The telephone rings in Lafayette, LA anytime between 7:00 am and 7:00 pm.
2. The caller can be 1 of 40,000 different customers.
3. The caller can request 1 or any multiple of 160,000+ different products.
4. The products requested are in-stock 99.56% of the time.
5. The customer makes a purchase.
6. The customer receives exactly what they ordered the next day delivery.
7. The customer enjoys a Dum-Dum candy sucker.

Interacting with Acme Co. is magical to customers because it is beyond what is believable in its industry. It is similar to them experiencing the Magic of Disney or the Magic of Cirque du Soleil, except for the fact that is a business-to-business relationship. Acme Co. promises that 160,000+ products are available for next day delivery and they actually come through. However believable or unbelievable it may be, it is directly tied to the needs of an independent retailer. In reflecting back on where this company came from, a proprietor once told a high school student…

> if somebody could ever come up with a quality product and get it to people on time, when they've said, at a fair price, and make it easy to deal with, said they'll have, *they'll have all the business in the industry.*

With the discipline to stay the course, Acme Co. has managed to build an enormous customer base by enabling retailers, like Sam's high school employer, to be more successful.

CHAPTER SIX

FINDINGS, LIMITATIONS, AND FUTURE RESEARCH

Introduction

The chapter is addresses issues related to the major findings from, and the limitations of, two studies designed to examine how and why buying organizations develop, maintain, and/or dissolve relationships with supplying organizations. It is important to recall that Study One, a study of buyer's perceptions, employed interviewees from a sample of different customers of Chemical Co. However, Study Two explored the perceptions of a single, successful supplier (seller), Acme Co. A third envisioned study, not part of this dissertation, will consider dyadic relationships as a whole. This chapter will also compare the findings of the two studies, consider managerial implications, as well as future research directions.

Key Findings of Study One – Buyer's Perspective (Chapter Four)

The central premise of the buyer's study focused on addressing how and why buying organizations develop, maintain, and/or dissolve relationships with supplying organizations. The major findings associated with the buyer's perspective include the identification of *approach to supplier relationships* as the core phenomenon and its supporting categories, the recognition of relational catalysts, and the evolutionary nature of approach to supplier relationships. Each of these areas will be discussed in the following sections.

Identification of Approach to Supplier Relationships

The first major finding is the identification of core phenomenon, *approach to supplier relationships. Approach* is defined as the process of engaging in relational behavior with supplier organizations for the purpose of addressing specific situations or events. The identification of this process is important to marketing research because it positions key concepts within a process that depict the behavior of buying organizations when interacting with supplier organizations. A buyer's approach to relationships with suppliers is a process involving the buyer's efforts to (1) leverage relational values (philosophy), (2) set relationship expectations, (3) establish relational routines, and (4) evaluate relationship value. *Approaching supplier relationships* focuses on the overt action firms engage in when preparing for, engaging in, and/or dissolving relationships with a supplier organization.

As a process, Approaching Supplier Relationships helps identify organizational processes that may influences the performance of a particular buyer-seller relationships. For example, leveraging relational values and setting relationships expectations provide a mind-set or perspective from which buyers interact with suppliers. It is from this perspective that buyers make decisions regarding the action that needs to be taken in order to obtain the desired value from a supplier. Additionally, the establishment of relational routines is important because it helps establish stability within the interactions and helps guides the work that is necessary in producing the desired action. Lastly, the evaluation of relationship value is the buyer's evaluation of what happened in a specific kind of use situation, with the help of a buyer-seller relationship, while pursuing a desired purpose or goal. While this study did not provide a deep understanding of the buyer's

evaluation process, it did identify four methods that are used in evaluating buyer-seller relationships. These methods included: developing an overall abstract judgment, measuring set criteria or standards of overall performance, comparing suppliers against other suppliers, and evaluating select or case-specific performance.

Recognizing Relational Catalysts

Relational catalysts are business situations or events that stimulate relational behavior by bringing the relationship to the attention of the buyer. The recognition of these situations is important in understanding how buyers develop, maintain, and/or dissolve supplier relationships because the variation in how buyers approach relationships appears to emerge from the situational context within which the supplier relationship is embedded. These situations or events are called catalysts because they stimulate or ignite relational behavior by bringing the relationship with a particular supplier to the attention of the buyer and/or the seller. Examples of catalysts in this study included circumstances like shortages of raw materials, unresponsiveness of suppliers, and market opportunities to expand one's business.

The conceptualization of relational catalysts is important because it provides a focus on the types of events or situations that influence interaction between companies. The major properties of relational catalysts included source, timing, and magnitude. The source or instigator of a relational catalyst may range from the buying organization, selling organization, downstream customers, supply chain partners, macro environmental issues, etc. The timing of relational catalysts focuses on the circumstances surrounding

the evolution or surfacing of business events that stimulate relational behavior. And finally, magnitude provides the buyers with an understanding of the catalyst.

Recognizing Relational Catalysts also provides support for research on customers' desired value change (CDVC). As noted by Flint, Woodruff, and Gardial (2002), "changes in desired value may be related to why customers seek to build strong relationships with suppliers" (p. 111). The identification of catalytic sources from within the buying organization, downstream customers, and the macroenvironment support the link drawn by Flint, Woodruff, and Gardial (2002) between contextual conditions and CDVC. The interesting part of relational catalysts is that provides evidence of why buyers approach suppliers and seek to develop, maintain, and/or dissolve relationships. The characteristics of catalysts seem to guide relational behavior by establishing specific needs that should be addressed through interaction with a supplier.

The Procedural Nature of Approaching Supplier Relationships Over Time

As shown in Chapter Four, the researcher used the timing and location of naturally occurring events to develop an understanding of how the four categories and relational catalysts combine to influence the approach buyers develop for engaging in relational behavior. The compilation of these five categories establishes the *approach* buyers will utilize when interacting with suppliers in a specific situation. A key source of variation in the *approach* process is relational catalysts. Catalysts can vary in terms of impact on the buyers operation, as well as in terms of timing of its arrival. In addressing relational catalysts, buyers leverage relational values and establish expectations around the characteristics of this particular situation. These expectations influence the type of

interaction involved in the relationship by helping establish a relationship routine. Over time, these routines will be interrupted by other catalysts and will require additional interaction to address the demands of the new catalyst. Through interaction, the existing relational routine is reinstated or modified to fulfill the needs of the situation confronting the buyer-seller relationship. The activities involved in the relational routine are designed to fulfill the expectations of the relationship and to produce specific relationship value. The assessment of received relationship value provides an indication of relationship performance and also serves as a catalyst for future relational behavior between the buying and selling organizations.

As a process, approach to supplier relationships provides insight into the development, maintenance, and/or dissolution of buyer-seller relationships. Most importantly, it accounts for variation within relationships and provides a context for assessing the success and/or failure of these relationships. In today's marketing literature, buyer-seller relationships are conceptualized as developing in a linear progression (Dwyer et al. 1987a; Heide 1994; Wilson 1995). These conceptualizations typically show relationships developing from arms length, independent transactions to ongoing, relational exchange. Over time, the nature of interaction between organizations is shown to become more and more complex or integrated.

Approach to supplier relationships expands current thought on relationships development by showing how relationships can operate in a non-linear fashion and can account for variation in one's environment by changing the relational routines or governance structure of the relationships. Over time, this process demonstrates how relationships can become more bilateral in nature, but can also become more unilateral in

nature. The variation in governance stems from the relational catalyst driving the relationship.

Finally, it is important note that the evaluation of relationship performance appears to be linked to the expectations and catalysts which influence how buyers approach relationships with suppliers. The complexity of relational routines (unilateral vs. bilateral) should not drive one's perception of success and/or failure. Thus, the evaluation of performance seems to stem from the relationship's ability to address relational catalyst confronting the buying organization.

Key Findings of Study Two – Seller's Perspective (Chapter Five)

The focus of the seller's study was on addressing why selling organizations develop, maintain, and/or dissolve relationships with supplying organizations. The major findings associated with the seller's perspective include the identification of *managing the customer base* as the core phenomenon and its supporting categories, integrating the customer value hierarchy into one's value proposition, and the notion that relationships are all the same while the scale of relationships varies. Each of these areas will be discussed in the following sections.

Managing the Customer Base

The first major finding of Study Two addresses the process seller's use when developing, maintaining, and/or dissolving buyer-seller relationships. The seller's perspective in this study was particularly interesting because it focuses on the seller's entire customer base. Individual relationships with customers represent the means or

vehicle for influencing the growth of the entire base. With this in mind, *managing the customer base* is a process that establishes a business structure which enables a selling organization to fulfill customer needs in ways that make each customer's business more successful in delivering value to end users. This is the core phenomenon that emerged from this study. This process is supported by five categories which include (1) recognizing the use situation, (2) focusing on customer success, (3) creating a one-to-one value proposition, (4) delivering value through one-to-one relationships, and (5) experiencing consequences of 1-to-1 relationships.

In reflecting on the marketing and supply literature, this process is intriguing because it incorporates the development of buyer-seller relationships into the seller's business model. The vision of the seller in this study recognized the influence of derived demand and focused the company on helping customers improve their effectiveness in delivering value to end users. Current research on relationship orientation and supply chain orientation is supported by the recognition of organization influence which stems from downstream customers (Day 2000; Mentzer et al. 2001; Mentzer et al. 2000; Pillai and Sharma 2003). Additionally, research on market driving organizations is supported by the operationalization of an organizational vision that seeks to influence the value delivered by downstream customers (Carrillat et al. 2004; Jaworski et al. 2000; Kumar et al. 2000). The key contribution from this study involves the role relationships play in enabling the seller to create value propositions that address the needs of individual customers while focusing the management of a large customer base. This study provides evidence of how relationships with customers are used to learn about market needs, to create value propositions around these needs, and to deliver value which fulfills these

needs. The ability of firms to drive markets is based on their ability to change the structure of a market and/or the behavior of the firms which comprise the market (Carrillat et al. 2004). This study provides evidence of one seller that drives its market by focusing on the needs of individual customers and by using relationships with these customers to influence the performance of customers in selling product to end-users.

Integrating the Customer Value Hierarchy into One's Value Proposition

Throughout this study, there was clear evidence that the seller not only understood the value desired by customers (benefits and sacrifices), but they also understood the desired end states of their customers. In particular, the seller's efforts in *Creating a 1-to-1 Value Proposition* show that the value desired was used to identify areas of opportunity for aligning the competencies of the organization with the needs of the customer. As defined by Woodruff (1997), customer value is:

> ...a customer's perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations (p. 142).

While this study provided evidence to support this definition, it also provided evidence of how customer value determination can assist companies in crafting value propositions that are tailored to the needs of individual customers. The value proposition held by the company employed for this study was "No one gives you more ways to succeed than Acme Co." In the process of managing its customer base, the seller used customer value information to adapt its competencies around the needs of its customers. Through this adaptation, the seller was able create unique value propositions that were personalized

and reflective of one-to-one market offerings rather than generic offerings which seek to generalize the desired value of customers across the entire customer base.

The Evolving Nature of Managing the Customer Base

In this study, relationships were described as symbiotic interactions that enable the seller to transform its massive market presence and competencies into solutions that deliver pertinent value to individual customers. Over time, the relationship between the seller and customer evolve around the needs confronting the organizations. While this finding is no different than the findings in Study One, the seller in this study points out that the conceptualization of relationships does not change across customers or over time. Further, the seller characterized the "scale" of relationships as changing over time while the basic relationship components stayed the same. In this description, the seller explained that all relationships, across customers, were the same. The difference was the scale of the relationships. In many cases, the scale of relationships increased to accommodate the needs of customers or the dynamics of a particular use situation. For instance, Acme Co. segmented its market and identified special handling accounts which it began calling proactively as a way to better understand the businesses of these customers. While the type and frequency of interaction may have increased with these special handling accounts, the seller does not believe that the make-up of the relationship with these companies is any different than the relationship with a very small customer.

The scale of relationships is interesting because it provides insight into the variation of relationships across customer while providing stability in the conceptualization of a buyer-seller relationship. For instance, while trust is present in

every relationship, there are some relationships that involve higher levels of trust and others that have lower levels of trust. Additionally, the interaction between companies may revolve around the ordering and fulfillment of a particular product. In some instances, the interaction may be straightforward and involve in-stock product that is ready for distribution. In other case, the interaction may involve the development of new product that is unique to the needs of a particular customer.

In discussing relationships with customers, the seller was quick to point out that the common denominator across relationships are components like trust, credibility, friendliness, helpfulness, and responsiveness. Given these components, it is difficult to determine if one relationship is more "successful" than other relationships because the interaction between the firms is tailored to the needs of a particular use situation. If the relationship is more complex, it doesn't necessarily mean that it is successful. The success of a relationship seems to stem from its ability to create consequences that assist buyers in being more successful when selling to downstream customers.

The idea that the scale of relationships vary across customers supports Wilson's (1995) conceptualization of relationship components becoming latent as relationships develop. For instance, trust may evolve from early interaction between partners. As this interaction continues and the relationship develops, Wilson (1995) described a situation where trust is not active within a relationship because it has been established and partners are not focused on establishing trust. However, the dormant state of trust can be disturbed by events, like opportunistic behavior, that brings it into question and require the attention of the participating firms (Wilson 1995).

While this study does not directly address components like trust becoming latent, it does provided support for the idea that the components that drive the initial interaction between buyers and sellers help establish an environment or culture in which future interaction will occur. The relationship may grow in scale around the key components, but it does not grow away from these components. Interaction with a buyer that lacks trust, credibility, etc. appears to be a situation where the seller does not have a true relationship with this particular customer. The absence of these key relationship elements represents the type of situation where the seller has exhausted all options to work with a customer and finally refuses to continue business with this customer.

Comparison of Studies One and Two

As noted in Chapter Three, the comparison of Study One and Study Two will focus on the conceptual similarities and differences as well as the relationships between theoretical concepts. The first section will discuss areas of similarity by addressing the presence of contextual influences (catalyst vs. use situation), business philosophy (leveraging relational value vs. focusing on customers' success), and guiding interaction (routines vs. delivering value through 1-to-1 relationships). The second area addresses areas where the theoretical frameworks differ. The differences between frameworks may stem from inherent differences in the roles of buyers and sellers, the role of participating firms within their supply chains, and the type of products involved in Study One and Two. Lastly, the researcher will discuss the relationships comprising the theoretical frameworks. The major difference between the frameworks involves the role and location of contextual influences within each theoretical framework.

Similarities

The first similarity between the two studies recognizes the presence of one's business philosophy within interaction between buying and selling companies. The overriding vision of an organization serves as a basis for planning how one seeks to interact with other companies. In Study One (buyer), organizational values were leveraged into relationships by establishing certain values or beliefs regarding business relationships and how the buyer seeks to engage in these relationships. In Study Two, the seller clearly articulated its vision to focus on the success of its customer. While the seller did not address specific organizational beliefs, it utilized transformational leadership to create a market-driving company which seeks to grow through the expansion of its customers businesses. Rather than leveraging elements of one's business philosophy into relational behavior, the seller incorporated relationships into its philosophy or vision. The vision of the company was focused on customers' success and creates a situation where the seller's business is inherently conducted through one-to-one relationships with customers. Across both studies, it is evident that business philosophy plays a major role in creating a perspective from which both buyers and sellers develop, maintain, and/or dissolve business relationships.

The second similarity across the two studies addresses the buyer and seller's effort to influence the interaction between participating firms. In Study One, buyers sought to establish relational routines or structure that would harmonize interaction. These routines provide stability within the interaction and help to establish "how we do business together" within a specific context. The idea of relational routine was also

evident in Study Two, but it was not as noticeable as it was in Study One. When describing typical interactions with buyers, the seller described its efforts to guide the conversation by providing regimented guidelines for "how business it is going to do business with customers." Through the use of technology, these guidelines were automated and help the seller control the conversation. It is important to note that the guidelines or routines in both studies showed similar capability to respond to the needs of a particular use situation. For instance, the seller used the regimented guidelines to create an expectation of how the interaction would occur every time the customer calls its office. However, the employees working through these guidelines are empowered to modify the script to assist the customer in attaining the value it seeks in a particular situation. The process of adapting to situational influences was similar to findings in Study One that show buyers recognizing relational catalysts and adjusting relational routines.

The final similarity between Studies One and Two addresses the presence of contextual influences. While it is defined differently across the two studies, the context in which buyers and sellers engage in relationships appears to play in integral role in the development, maintenance, and/or dissolution of business relationships. In Study One, contextual influences were defined as relational catalysts or situations that trigger the buyer's efforts to approach relationships with suppliers. In Study Two, contextual influences were captured in the use situation category. In recognizing its use situation, the seller seeks to understand the dynamics of the situation within which it is currently operating. In both studies, the research participants expressed the important of understanding the impact of situational influence on business relationships. While there

is similarity within the concept of contextual influences across these studies, there are also differences. These differences will be discussed in the following section.

Differences

The first major difference between the findings of Study One and Two is the location of context within the theoretical frameworks. As noted in the previous section, there are similarities in the conceptualization of contextual influences across the studies (e.g., shortage of buyer's supply). However, the role of these influences within the respective process varies greatly. In Study One, the Approaching Supplier Relationships process did not incorporate the relational catalysts phenomenon. Relational catalysts or situational affects were conceptualized as events that called the buyers attention to the relationship and thus prompted the buyer to engage in relational behavior. When reviewing the findings of Study One, it appears that buyers were more reactive in nature when recognizing catalysts. For instance, the buyers in this study were confronting a shortage of raw material and were describing relationships with a supplier under these circumstances. Buyers appeared to recognize the situation or event and then react by approaching supplier organizations.

The role of contextual influences in Study Two was also conceptualized as events or situations that influence how one engages in relational behavior. However, the recognition of these events was more proactive in nature and characterized the buyer's effort to understand the affect of the use situation on how it manages an entire customer base. The scope of discussion within Study Two was on the seller's customer base and this may have absorbed the seller's reactive efforts when dealing with specific customers.

The proactive approach to understanding the use situation is an important distinction between the two studies because it locates the recognition of contextual influences within the process of managing the customer base. Essentially, Study Two characterizes the seller's market sensing effort as part of the process used to develop, maintain, and/or dissolve buyer-seller relationships. As part of the process, recognizing the contextual influences seems to shift the organization's perspective on relationship from one of reactive strategies to address specific situation to one of proactive means that establish a mechanism for creating and exchanging value with specific supply chain members.

The second difference between these two studies addresses the characteristics of the samples and how these characteristics may have influenced the description of certain phenomena. The role of participants within their organizations creates impediments for drawing conclusions about the congruency of the findings. The function of purchasing and the function of selling are drastically different. The questions presented to both sample focused on relationships with either sellers (Study One) or with customers (Study Two). Participants were not asked to characterize relationships with both suppliers and customers. Thus, it is not surprising that there are differences in the findings. In Study One, buyers appeared to operate from a more reactionary stance than the sellers in Study Two. This difference is logical since the buying function typically seeks to fulfill the internal needs of the organization and the selling arm seeks to fulfill the needs of external customers.

Additionally, the location of buying and selling organizations within their respective supply chains may have influenced the type of experiences described in these studies. In Study One, multiple buying organizations were sampled regarding their

relationship with a specific supplier. The buyers were purchasing commoditized-plastic ingredients that were used to produce containers for downstream customers. The downstream customers in Study One were consumer goods manufacturers that did not sell directly to end users. In Study Two, the seller was a manufacturer that sold to retailers. The manufacturer produced component parts and some finished product that the retailer used in selling directly to end users. It is important to note that the product being sold in Study Two was specialty retail products that were drastically different from the commodity products in Study One. The demands of the buyer and seller's roles within their respective supply chains and the nature of the products being exchanged may have influenced the nature of relationships being described in each study.

Research Limitations

The primary limitation of Study One is the fact that this dissertation researcher did not participate in the collection of this data. While the data addressed the research questions and objectives, the opportunity to probe respondents and explore themes as they emerged during the analysis process was not available. Additionally, because of the age of the study, the dissertation researcher was not able to contact the participants to conduct member checks. The data used in this study, while still relevant to the relationship phenomena, is 10 years old. Since data was collected several years ago, it is not likely that the research participants are working for the same employer or that they would be able to recall the experiences or the situation from which they responded during the initial interview.

The limitations of Study Two focus on the research design and on the characteristics of the sample. From a research design standpoint, Study Two sought to capture the experiences of a seller in developing, maintaining, and/or dissolving buyer-seller relationships. Study Two accomplished this objective. However, this study was limited to the experiences of one selling organizations. The sample included 17 interviews with employees from across the organization. This sample provided the necessary depth and breadth needed to explore the relationship phenomena, but it was limited to the scope of a single organization. Additionally, the selling organization within Study Two does not represent the typical manufacturer within its industry. The seller has deep market penetration and has developed a customer base that includes virtually every retail customer in its industry. The size of the seller appears to provide resources and a market position that enable it do develop one-to-one relationships with virtually every customer. Thus, the seller's experiences in this study may not reflect the experiences of other sellers within its industry.

Managerial Implications

The inclusion of both buyer and seller perspectives of business relationships creates several implications for marketing practitioners. First, participants in both studies described contexts where situations or events influenced relationships with other organizations. The implication around this finding is that problems are part of business and should be accounted for when interacting with other organizations. The acceptance of problems as part of business creates a sense of perspective that enables firms to anticipate disruptions by planning ahead or by creating mechanisms to react swiftly. In

practice you often hear executives say that it seems like they are always putting out fires. While fires are not typically associated with every business, fires are the business of organizations like municipal fire departments. The essence of this example shows that while problems are inherent with any relationship, it is important to understand the specific types of problems/disruptions that can influence one's relationship with supply chain partners and that some of these problems can be anticipated.

The second managerial implication focuses on the creation of routines between buyers and sellers as a means for establishing continuity in the exchange process. As shown in this study, stable routines are devised around the demands of specific use situations. The interaction between companies is influenced by the catalyst or use situation that has brought the relationship to one's attention. The creation of these routines serves as a way to not only establish common ground between companies, but as a way to leverage the mutual interest of the participants through action. Additionally, by focusing on the confronting situation, the routine creates an environment that is more responsive needs of buyers and sellers. The relationship should become more responsive because its interaction is tailored toward assisting the participants in addressing situations that are impeding or enabling efforts to create and deliver value.

The final implication addresses customer value determination. In Study Two, the seller's responses reflected a very good job of determining the drivers of its retail customers. The seller understood where the customer wanted to grow and then used this information to create a value proposition that leveraged its competencies in making customers more successful. The intriguing part of the seller's value proposition was that it recognized the customer value hierarchy and was able to link its competencies to the

CVH of individual customers. The implication for practitioners is that within supply chains, the CVH provides insight into where demand for your product is generated. The seller in this study was a manufacturer that did not sell direct to customers. By enabling retailers to be more successful, the manufacturer was able to influence end user demand which ultimately influenced the retailer's demand for its products.

Future Research

The qualitative research design used in this dissertation is one that sought to develop a holistic understanding of why buyers and sellers develop, maintain, and/or dissolve business relationships. While this objective has been addressed, these studies have also identified areas in need of further research. First, the researcher needs to complete the final study (Three) of the initial research design. The last study will interview customers of the seller in Study Two and will seek to support the findings of Study One. The interviews with the seller's customers are important because it completes the relationship dyad within its industry. Study Three will help to unify the perspective of buyers and sellers around the same context. Additionally, this study will seek to further explore differences between the role of buyers and sellers that were identified in this study.

The second area of future research seeks to measure the effect of relational catalysts and/or use situations on relational behavior. In Study One, relational catalysts were conceptualized as involving issues pertaining to source of origin, timing, and magnitude. Through the development of measurement scales, research may begin to

address the impact of catalysts on concepts like desired customer value change, relationship orientation, and relationship performance.

A third area of future research should address the performance of relationships. In particular, research is needed to address the standards that company use when evaluating performance. The measurement of performance was not the objective of this dissertation, but it was present in the respondents' experiences. Post hoc analysis of the existing data may provide insight into how buyers and sellers evaluate relationship performance. Additionally, research is needed to expand the notion of relationship performance. Throughout this study, respondents provided evidence of situations where financial value was not the driving force behind relationships development and/or maintenance. Thus, research should explore the intensity of value types involved in the evaluation of relationship performance.

Fourth, future research is needed to further develop the seller's concept that if the seller takes care of its suppliers, employees, and customers, they will take care of its bottom line. This issue sounds overly simplistic, but in this time of quarterly reports and short term financial objectives, this perspective is also intriguing. The remarkable aspect of this notion is the seller's ability to trust itself. The seller believes that if it is effective in managing relations with suppliers, employees, and customers then its financial performance will take care of itself. It is through these relationships that the manufacturer can develop and deliver value. While trust is a hallmark of relationship marketing, it is always focused on trusting the other party. Research should explore the role of trusting oneself because this may provide insight into what each party really brings to the table.

Finally, this research creates a new opportunity to explore the area of relationships orientation. The way organizations build, maintain, and/or dissolve a relationship is dependent upon the use situation in which it is being employed. In Study Two, the seller developed a process for operationalizing its vision by managing a customer base through one-to-one relationships with customers. The evidence in this study suggests that relationship orientation depend not only on the organizational vision, but also on the needs of a particular relationship. Research is needed to explore ways to harmonize the demands of individual relationships within the overall domain of a corporate relationship orientation.

Conclusion

This dissertation began by asking "why do firms develop, maintain, and/or dissolve buyer-seller relationships?" This question was particularly interesting to the author because it enabled the author to address the linear relationship development models in the literature and to explore the drivers of relationship evolution that were occurring in two different industries. The inclusion of studies on both the buying and selling sides of the relationship dyad helped the researcher to see the phenomena from multiple perspectives. In each study, the researcher was able to establish theoretical frameworks that captured the complexity of relationship phenomena and the variation of these phenomena over time and/or situations.

The procedural nature of the core phenomena in Study One and in Study Two provides insight into the variation of buyer-seller relationships. By documenting the drivers of relationship variation from a buyer's (relational catalyst) and a seller's

perspective (use situation), the author has adequately addressed why relationships are developed, maintained, and dissolved. Finally, this dissertation provides empirical evidence of relationship development that challenges the linear nature of traditional development models. Given the demand for customer relationship management and supply chain research, the researcher feels the findings in this dissertation will be of interest to both academicians and marketing practitioners.

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APPENDICES

APPENDIX A: INTERVIEW PROTOCAL

Interview Protocol

Study Two

1. Ask for permission to tape the interview

2. Overview of interview

    a. I am going to ask you some very broad questions about the relationships between Acme Co. and their customers.
    b. These questions are designed to illicit your opinions.
    c. There are no right or wrong answers to these questions.
    d. I am strictly looking for what your experiences have been and whatever you feel is important is what we need to capture here.
    e. We are here to just talk about Acme Co.'s relationships with its customers.
    f. Please feel free to share examples of business relationships with which you are currently working and those with which you have worked with in the past.

3. Please describe your position and responsibilities at Acme Co.

    a. How long have you been with Acme Co.?
    b. How long have you been in your current position?

4. Tell me about a typical encounter you have with your _____ business customer. (Most important -vs- least important, best -vs- worst, most successful -vs- least successful)

    a. Begin with when you first think about them and walk me through what happens, step by step.
    b. I want you to tell me what your are doing, what is going on around you, what you are thinking about, and what you are feeling.
    c. No detail is insignificant.

5. What do you think about when you evaluate the performance of this relationship?

    a. Does Acme Co.apply these performance criteria to all customer relationships?

6. Going forward, what does Acme Co.seek to achieve in the relationship with this customer?

Interview Protocol Continued.

7. Think back to the first meet you had with this customer.
    a. When did this meeting occur?
    b. Tell me about what your are doing, what is going on around you, what you are thinking about, and what you are feeling.

8. Has/How has Acme Co.'s relationship with this customer changed from this first meeting?

9. Tell me about a situation where a relationship with a customer did not perform very well.
    a. What caused the poor performance?
    b. How did Acme Co. handle the situation?
        i. Internally?
        ii. With the customer?

10. Wrap-up
    a. You have provided me with a lot of good information
    b. Is there anything we did not discuss that you feel is important to understanding Acme Co.'s relationships with its customers?
    c. Are there any questions you have of me, either about the project or personally?

11. As part of this research project, I am interviewing employees of Acme Co. as well as customers of Acme Co. Could you please provide the names of three companies with whom Acme Co. currently has a relationship.

12. Thank you.

Interview Protocol Continued.

Probing Questions:

- Following initial grand tour questions:
  - What was going on then?
  - What were you doing when that happened?

- Probes for clarification
  - Tell me more about that.
  - What does that mean?
  - When does that typically happen?

- Probes to explore higher levels of the value hierarchy
  - Why is that important to you?
  - What would happen if a supplier did not offer (value dimension)?
  - Why does a good customer need to have (value dimension)?

- Probes for emotion
  - How did that make you feel?
  - What were you feeling when that happened?
  - Did that effect your feelings? If so, how?

Critical Incident Questions

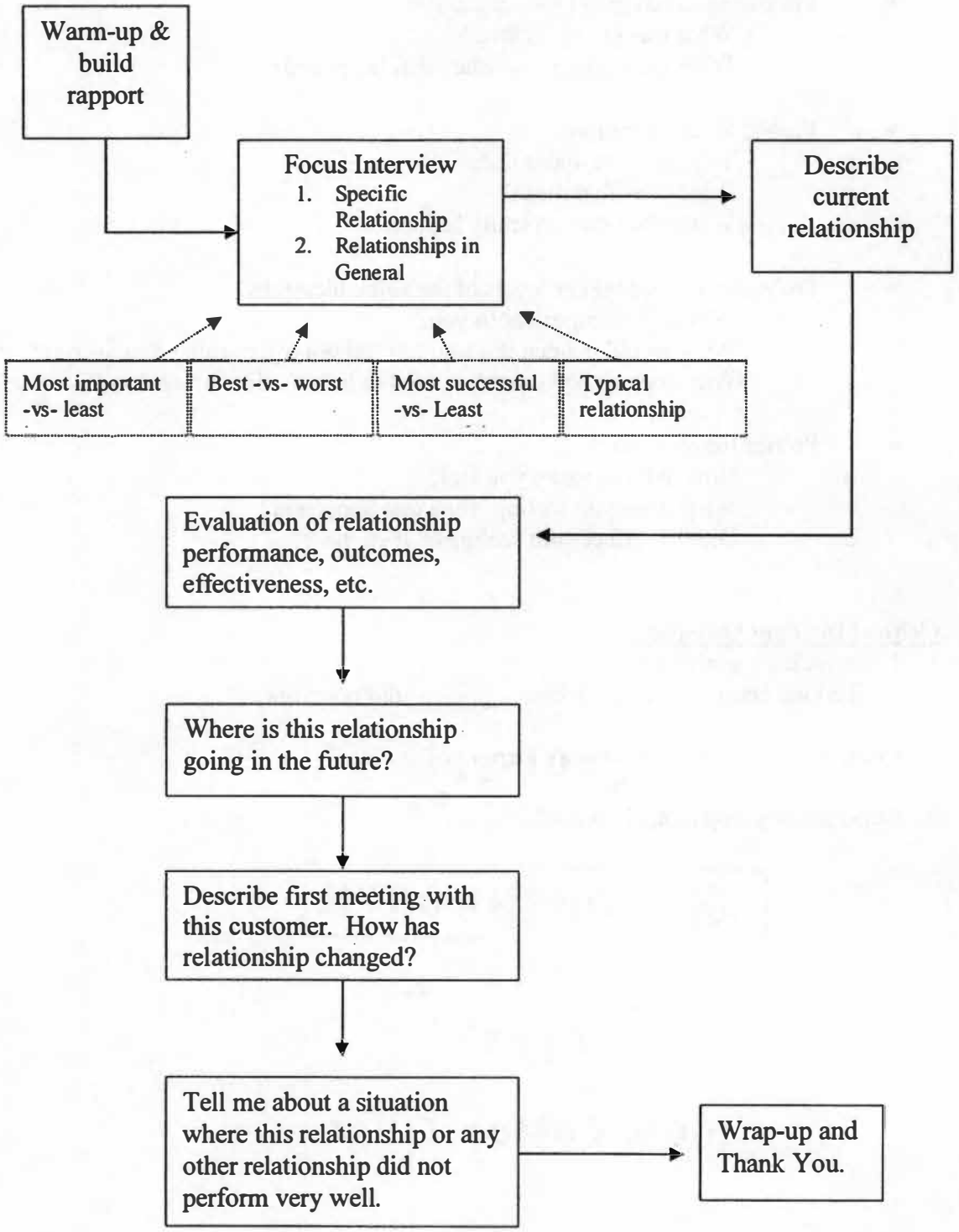
1. Negative case analysis
   a. Tell me about a situation where _____ did not work.

2. Compare and contrast previously mentioned events

3. Structure or group items into particular sets

Interview Protocol Continued.

Flow Diagram of Interview Protocol



APPENDIX B: INFORMED CONSENT

Informed Consent

The University of Tennessee
Department of Marketing, Logistics, and Transportation

Interviews with Acme Co.
Location: Corporate Offices of Acme Co.

I hereby authorize **Geoffrey T. Stewart** to audio record our discussion held on _____ for approximately one hour as part of the data collection for his research project. This authorization applies only to this conversation on this date. Any other recordings are authorized by separate consent forms. I freely and voluntarily and without element of force or coercion, consent to be a participant in the research project entitled "Relational Value Exchange: A Grounded Theory Study of Its Role in the Development, Maintenance, and Dissolution of Buyer-Seller Relationships."

I understand that:

- this will be an open-ended conversation with one researcher that will last approximately one hour.
- I may terminate the conversation at any time.
- my name and any sensitive information will be kept confidential to the extent allowed by law.
- I may request a copy of the audio recording and/or interview transcript.
- only the researchers on our team will be knowledgeable of my name. Team members include: Geoffrey T. Stewart, Drs. Bob Woodruff, Tom Mentzer, Ernie Cadotte, and Bill Judge.
- the audio recordings will be transcribed into Word documents and then will be destroyed by August 1, 2005.
- the interview transcripts will be maintained in a locked office at The University of Tennessee, Knoxville until August 1, 2008, after which they will also be destroyed.
- this form will be maintained in a locked location at The University of Tennessee, Knoxville for three years.
- I may ask the researcher any questions I wish about the nature of this project
- by participating in this project I will be helping organizations learn to better manage customer relationships and to better serve customers' needs.

I understand that if I have any questions concerning this project I may contact Geoffrey Stewart at: The Department of Marketing, Logistics, and Transportation, College of Business, The University of Tennessee, Knoxville, Tennessee, 37996, (865) 974-5311, gstewart@utk.edu.

_____
(Signature) (Date)

_____
(Please print name above)

_____
Geoffrey T. Stewart - Researcher & Principal Investigator

VITA

Geoffrey Todd Stewart was born in Ville Platte, LA on May 26, 1972. He was raised in Lafayette, LA and went to grade school at St. Genevieve Elementary. Geoff graduated high school from Father Teurlings Catholic High. From there, he went to the University of Louisiana, Lafayette and received a B.S. in business administration in 1995 and a M.B.A. in business administration in 1997.

Geoffrey is currently pursuing his doctorate in business administration at the University of Tennessee, Knoxville. His area of concentration is marketing.

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