

## What really happens in initiation? – Investigating the subprocesses and features of emerging buyer-seller relationships

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### **Abstract**

*The initiation of relationships is a neglected research area. Previous research has focused on stages or states of relationship development and initiation. In this paper we identify and analyze the key subprocesses of initiation (buyer-seller relationship). On the basis of a broad scope literature review, we aim to enrich the conceptual description of the initiation of business relationships. The findings relate to three major aspects of initiations: the blurredness of the initiation phase originates from the features of the initiations (activity, intentionality and speed), various actors and exchange dimension involved in the initiation phase and non-linear and linear subprocesses of the initiation process. The study offers a prosperous basis for further research in the area.*

## 1. INTRODUCTION

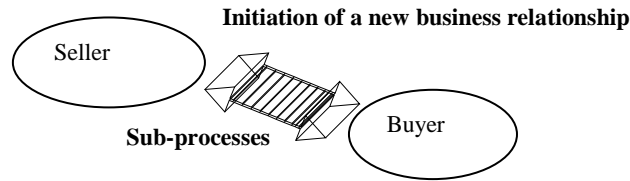
Relationship development as well as the relationship dissolution are broadly studied phenomena, but the initiation of relationships has challenged only a few researchers. Surprisingly, little attention and especially empirical studies is given to how business relationships start. (Holmen et al. 2005; Edvardsson et al. 2007, Kallevåg 2007).

The minor attention to the beginning of relationships might be due to several challenges of the phenomenon. Firstly, initiation is a blurred phase that involves various actors and different episodes. The relationship may start from the first contact or require a long many years overture before the first deal. (Holmlund and Törnroos, 1997; Warsta et al., 2001; Halinen, 1997). Secondly, it is difficult to define when a relationship really begins, because some relationships are relatively short-term or may comprise only a few episodes (Holmen et al. 2005).

There are several situations, where initiations are important and deeper understanding of initiations could help firms to facilitate the initiation process: Firstly, when a new actor is entering the markets, for example when a company is entering foreign markets (Ellis 2000; Holmen et al. 2005, Frazier 1983), or a start-up company starts to build its customer base. Secondly, when a mature firm with new products aims to achieve new clients or wants to change its position on markets. Thirdly, when new needs of the buyer are rising and it aims to form new relationships with new suppliers. Fourthly, after exit and dissolution situations, new relations are usually built. Fifthly, when offerings are complex and specialized, such as complex technical projects, services or innovations, the vagueness of the offering may challenge the parties in partnership identification and evaluation, and thus this kind of situation can be considered as a challenging context to initiate.

Initiations can be understood in the light of wide scope of approaches and literature fields. In relationship development literature, the initiation is considered as a beginning of relationship development in stage- and state-models but it is labeled and outlined variously (Batonda & Perry 2003, Ford 1980, Dwyer et al. 1987, Ford 1980, Halinen 1997, Andersen 2001, Wilson 1995, Batonda and Perry 2003) From seller perspective approach, initiations are related to selling, customer acquisition activities and marketing communication when a seller aims to gain new customers (Moncrief and Marshall 2005, Jaramillo and Marshall 2005, Waller 2001). From the buyer's viewpoint, initiations can be related to situations, when a buyer considers turning to new seller parties and seeks new partners (Frazier 1983) and this process is described as rational decision making process in buying behaviour literature (Webster & Wind 1972, Sheth 1973, Johnston and Lewin 1996). In networked business context, initiations can be triggered or mediated by network actors and existing network relations (Ritter 2000) and IMP-network literature sees network effects on relationship creation (Ritter 2000, Batonda & Perry 2003, Holmen et al. 2005). Social relations are also related to the topic since the role of personal relations and social networks as groundings of building new business relations are acknowledged widely (Larson 1992, Ellis 2000, Uzzi 1997, Granovetter 1985). These approaches offer very different viewpoints to initiations and they follow different kind of disciplines, research traditions and ontological assumptions.

In relationship development models, the initiation is typically described as a first phase of relationship evolvment process (Ford 1980; Dwyer et al. 1987, Batonda & Perry 2003) but this literature discusses the whole relationship evolvment process and does not closely focus on the initiation phase per se. Selling and buying literature distinguish various activities during the beginning of exchange, but they concentrate only on one party's viewpoints and usually illustrate the process without relational aspects. In sum, literature does not closely discuss what actually happens when two parties initiate, and therefore this paper looks into the existing relevant models in order to identify the critical processes of initiation. Additionally, the relationship development models, selling models and buying process models are structured in chronological order and they emphasize the order of the phases. For example, Batonda and Perry (2003) sort relationship development phases into a chronological order on the basis of a broad literature review. In this paper, the order of activities is left in a minor role and instead, the presence and essence of various sub-processes involved in initiation are taken into the focus.



**Figure 1 Focus on initiation and its sub-processes**

This paper focuses on the initiation phase and discusses the key sub-processes and elements within the initiation process (Figure 1). The study studies initiation as a dyadic phenomenon between two parties but seeks the more close elements of the initiation process than the existing relationship literature provides, and therefore it aims to integrate this knowledge with other approaches. The focus is on the initiation of the buyer-seller relations, but this study utilizes also literature concerning emergence of other kind of relations. *The purpose of the paper* is to analyze how buyer-seller relations initiate by answering to the following research questions: how the initiation process can be featured and what are the key subprocesses of emerging business relations. The nature of the paper is conceptual. Relevant literature is reviewed to identify the potential subprocesses and features of initiations.

This paper assumes that blurredness of initiations originates from its multiple multilayer subprocesses. The study contributes by identifying and analyzing the subprocesses and activities as well as the features of the initiation process, and by producing new categories to these processes.

*The structure of the paper* is the following: first, the initiation process is defined and reviewed in the light of the literature related to initiations. On the basis multiple approaches, we identify key process of initiations and propose new conceptual categorizations for initiation subprocesses. Finally, theoretical contribution and managerial implications are discussed.

## 2. THEORETICAL APPROACHES TO INITIATIONS

The most used label for the phenomenon is “initiation” and initiating can be seen as forming, building or creating relationships, or as the “birth” of relationships. (Frazier 1983, Holmen et al. 2005, Edvardsson et al. 2007). However, previous literature lacks a definition for initiation. According to Edvardsson et al. (2007, 4) researchers have adopted a rather indefinite definition of when a relationship begins, and “the starting point” is usually related to a need or motivation (Frazier 1983), interest, search (Wilson 1995) or awareness of a feasible exchange partner (Dwyer et al. 1987). In recent research, Edvardsson et al. (2007, 3) define the initiation process in the following way: “[initiation] starts when the companies in a potential relationship recognize each other and ideally ends when a business agreement is reached.” Thus, the initiation can be understood as a dyadic process starting from awareness and ending to an agreement, an order or an assignment, that in best cases, leads to a relation or a relationship.

In the following section a wide scope of approaches is reviewed in order to build understanding on what happens between these situations and to distinguish the specific sub-processes related to initiation.

There are temporal or attitudinal dilemmas in defining when a relationship really begins: when does the relationship begin and what attitudes must be present; that is the actual question about relationships. Holmlund and Törnroos (1997) define a relationship as “an interdependent process of continuous interaction and exchange between at least two actors”. There are two problematic points; one is attitudinal, does a relationship occur when parties start to act together or does a positive long term oriented attitude have to be present, and the other is temporal, since the occasion when the relationship begins is difficult to define. Because of social embeddedness, several informal episodes may precede economic transactions, and some of them may turn into critical incidents leading to economic transactions and a business relationship. This research focuses on the beginning of economic transactions with relational orientations as a launch of a potential relationship. In the future it will be seen whether the transaction evolves into a long term relationship or not.

### a. Relationship development approach: relational activities

Relationship development approach considers initiation as the first phase in the development of a relationship. In relationship development models, the first phase considered as the initiation phase and the

latter phases are described as a sequential progression of change processes through stages (Ford 1980; Dwyer et al. 1987), as more unstructured and unpredictable states and statuses (Batonda and Perry 2003, Edvardsson et al. 2007). Another relationship development approach ignores the stages and states: Wilkinson and Young (1994, 2005) totally reject the stage/state thinking and introduce the concept of business dancing and matching.

### **Stage models**

In the most cited stage-models (Ford 1980, Dwyer et al. 1987), the initiation process advances through one or two phases from ignorance to the first negotiated deal. In both models, there is a “pre”-stage without dyadic communication and a “bargaining”-phase when the actual dyadic interaction begins. Ford (1980) separates a *pre-relationship stage* and *early stage* and Dwyer, Schurr and Oh (1987) the phases of *awareness* and *exploration*. Stage models of relationship development (Ford 1980; Dwyer et al. 1987) conceptualize the change process as a gradual development in a sequential manner, consisting of distinct steps or periods of development with incremental and irreversible stages. (Batonda & Perry 2003).

In Ford’s model (1980), in *the pre-relationship stage*, customer starts to evaluate new potential suppliers. Evaluation is initiated by e.g. particular episode in existing relationship or other information sources. Experience in existing and previous relationships provide the criteria by which the potential and performance of a new partner will be judged. The buyer faces uncertainty about the potential costs and benefits which are likely to be involved in dealing with a new supplier. Evaluation is conditioned by experience with previous supplier, uncertainty about potential relationship and distance between customer and potential supplier. During *the early stage* the parties negotiate about the first delivery, they are likely to have only little experience of each other and uncertainty is high. The distance between parties is still high since there is lack of knowledge on organizational level between buyer and seller companies and lack of personal relationships on social level. The distance between buyer and seller consists of social distance (the individuals and organizations are unfamiliar with each others’ way of working), cultural distance (norms, values or working methods differ), technological distance (the differences between technologies), time distance (time between contact and order and the actual transfer exchange), and physical/geographical distance between parties. Parties have a restricted view of what they require of each other, or what they hope to gain from the relationship. Thus “many of the judgments made of each company will be on their reputation, as a substitute for experience of their abilities.” Uncertainty rises, since the potential rewards and costs from the relationship are undetermined.

In Dwyer, Schurr and Oh model, (1987) the first stages - awareness and exploration - can be considered as constructions of initiation. In the *awareness phase* other party recognizes that another party could be a suitable business partner, but actual interaction does not yet exist. Awareness is a unilateral, pre-exchange process consisting unilateral positioning and posturing by the parties. Mutual considerations and dyadic interactions initiate the exploration phase, which is basically a testing period for the relationship. In the second phase, the *exploration phase*, the parties begin to explore the possibilities of exchange; attraction is formulated, parties communicate and bargain, power issues are formulated, norms and expectations are developed. The attraction during the exploration phase is affected by tangible and intangible rewards, such as similarity of beliefs, values, personality, or complementary resources such as money, information and status. Building trust is also crucial in the relationship development, and trust is related to reliability of threats and promises. The exchange might easily be terminated at this stage. The exploration phase is important for the future of relation, since parties test the goals and performance of each other.

### **State models**

Some researchers see the stages as more blurred states: they reject the lifecycle-like logic of stage-models, but adopt the idea that there are states, but in indeterminate form and order (e.g. Halinen 1997). States theory describes relationship development as an evolution so unpredictable states and the processes are not necessarily orderly nor progressive (Batonda and Perry 2003, originally Ford and Rosson 1982).

Initiation process is mentioned also in the state model literature; for example, Halinen (1997) sees complementary needs and resources between parties, personal awareness of the other party’s goals, needs and resources, and common interest in building relationship as the prerequisites for starting a business relationship. Driving events and sources of mutual attraction are seen as first processes before the assignment (Halinen 1997).

### **States/stage and status models**

Some writers amalgamate stage schemes with state schemes but in these models initiation phase can also be distinguished. Batonda and Perry (2003) focus on development relationship processes in inter-firm networks and integrate Ford's, Dwyer's, Larson's and Wilson's models, since they see networks relationship development as a synthesis of stages and states. They found empirical evidence of the existence of these five phases: searching processes, starting processes, development processes, ongoing maintenance processes and termination processes. Additionally they found a dormant phase, which can re-activate the process. These stages can progress in unpredictable way without step-by-step-order, so that some stages can be skipped or the progress can go back. In this model, searching processes and starting processes can be considered as the first dimensions of relationship: *the relationships searching processes* consist of search and trial for potential exchange partners without commitment and evaluation bases on economic and social aspects. *The relationship starting processes* consist of testing and probing of goals and compatibility, identification of inter-firm and interpersonal dynamics of networks partners, and selective entry based on abilities and long-term compatibility of partners. Batonda and Perry (2003) note that stages models do not discuss factors which move partners from one stage to another.

Recent findings of Edvardsson, Holmlund-Rytkönen and Strandvik (2007), however, reveal how various converters and inhibitors move the relationship to the next stage - or even prevent the progress, and these forces can also illustrate initiation sub-processes. They focus on the initiation phase and conceptualize the dynamics in the relationship initiation processes from the recognition to the business agreement. They see that stage models are not adequate to describe what happens in an initiation process: the initiation process proceeds only when the certain factors are in place. Edvardsson et al. (2007) conceptualize initiation with *statuses* and *forces* that in contrast to phase or stage, does not presume progress, instead, the process may linger at any time in a certain situation. The statuses are unrecognized, recognized and considered. On the unrecognized status the parties do not know each other or the buyer does not recognize the seller. When parties move from the unrecognized to the recognized status, one-sided or two-sided awareness and social relations are built. They see both positive and negative forces impacting on initiation process. The converters – such as timing of specific activities, trust, offering and competence - speed up or slow down the process and the inhibitors hinder the process to proceed or reverse it. The inhibitors are bonds, risk and image (the buyer's overall perception of the seller based on communication, earlier experience and others' experience). (Edvardsson et al. 2007, 14). The empirical findings of Edvardsson et al. (2007) revealed that unpredictability is a critical feature of the initiation process: it is not usually obvious or predictable why and how the initiation proceeds. The initiation process may start from different positions and be hold for an indefinite period of time. The initiation of a relationship can start and stop or even end in each status.

Noteworthy is that according to the empirical data of Edvardsson et al. (2007) the main challenge of the seller is not the awareness building, but instead to proceed further in initiation process and not to fall backwards in the initiation process. Another challenge is to be considered as a partner. Edvardsson et al. (2007, 15) emphasize that the initiation process is not driven only by the seller's marketing activities, and the seller's activities may sometimes only remain at an achieved status or move forward in status.

#### **Other process models concerning the beginning of the relationship**

Larson (1992) studied developmental processes and common evolutionary patterns among the alliances and concluded a process model of the formation of vertical network dyads between entrepreneurs with three phases. In the first phase, *preconditions* for forming new network relations are based on social embeddedness and trust. Larson (1992, 85) found empirical evidence that partnership relations evoked with people whose reputations and trustworthiness had already been established. Personal reputations as well as firm reputations and prior social relations form a foundation for a dyad by reducing uncertainty, clearing expectations and enhancing early cooperation. This foundation provides a receptive context for the evolution of strategic economic exchange. During the next phase, the conditions of dyadic relations of networks are built: mutual economic advantages are explored, trial periods are executed, expectations cleared and trust is built. Larson also noted that one firm usually acts as an initiator.

Andersen (2001) emphasizes communications role in relationship development: he integrates the relationship marketing model of evolving buyer-seller relationships with marketing communication aspects since he sees that the operational relationship marketing practices are still unclear in the literature. Communication plays a central role in providing an understanding of the exchange partners' intentions and capabilities, thus forming the groundwork for relationship development. According to Andersen (2001), communication has many roles in relationship development: parties enhance their own attractiveness, reduce distance, and build expectations and trust. He relates communication to three literature-driven relationship

development processes: a pre-relationship phase, a negotiation phase and a relationship development phase. Andersen states that the relationship marketing approach tends to play down the role of supplier-initiated marketing communication in the pre-relationship phase. *In the pre-relationship phase* the decision maker evaluates the utility of new potential suppliers and compares these against the present alternatives. In early phase, knowledge of the benefits and costs of prospective suppliers is low and decision makers seek information in order to “establish informed guesses when narrowing and ranking a set of potential suppliers”. The information needed for this purpose is general by its nature and its scope is relatively broad. Information received from trusted friends and business colleagues on the reputation of prospective suppliers may often form the basis of the initial ranking, along with other sources of information and the general image. One-way communication, such as advertising, helps the supplier to develop an attractive profile and the attractiveness motivates the buyer to look for information on this supplier. However, decision makers have limited information processing capabilities and they seek only until they find few good alternatives. Andersen (2001) points out that one-way communication provided by the seller is not enough to be on the short list, because decision maker utilize also personal sources. Bidirectional communication surrounding relationship formation does not necessarily imply direct dialogue between the potential buyer and the supplier, since the buying firm may very well engage in conversation with informants from other customers of the potential supplier and with supplier’s distributors, suppliers and competitors. From buyer’s view the communication may seem to be bidirectional, but still awareness building requires an ex ante planned and unidirectional communication strategy in which information flows from the supplier to the buyer. Any type of bilateral interaction introduces the beginning of a new phase – the negotiation process. Communication between the buyer and the seller turns into a dialogue (Andersen 2001, 175), but “In the development of negotiations, partners often evade issues, hinting at their own preferences, while evidencing interest in the exchange partner’s goals.”

Frazier (1983) builds a framework of interorganizational exchange behavior within marketing channels to explain the initiation, implementation, and review of ongoing channel relationships. The initiation process begins when the firm perceives a *need* and has a *motive* to form an exchange relationship, but the awareness of the firm’s need for additional resources can also be facilitated by external agents from other firms or current customers (Frazier 1983). When the firm’s need is perceived to be intense enough, it starts to *search* for suitable exchange partners. Initially, “general” information on rewards associated with alternative exchange partners may need to be assembled, possible sources of such information being salespeople and personal friends. This is used in forming a set of potentially accepted suppliers, an “evoked set”, on whom he/she will collect more specific information. Personal contacts will be made and the benefits of an exchange relationship are discussed. From these discussions, parties will form beliefs of the expected rewards and required investments over time. The persuasiveness of the alternatives’ representatives will play a crucial role in the development of the source’s belief structure.

Wilson (1995) aims to develop an integrated model that merges successful relationship variables with the conceptual process models. Wilson focuses on buyer-seller relationship, but utilizes channel relationships and strategic alliance research. A five-stage model of Wilson (1995) emerges from the literature (Dwyer et al. 1987). In Wilson’s conceptualizations, the initiation can be attached to the search and selection phase. Wilson contributed by identifying the variables that are in the focus in some stages and latent in other stages of relationship development. In early phases of relationship development, the variables such as reputation, performance satisfaction, trust, social bonds, comparison level of alternatives, mutual goals, and power are the most important. It is difficult and sometimes even impossible to measure comparison level of alternative at early stage, and selection has to be made in the light of reputation and preliminary discussions. During early phases the buyer scans performance verification, even though trials and testing activities are also sometimes difficult. Social bonding processes begin when buyers and sellers start to interact in the early stages, and trust begins to build when one partner earns the respect and trust of the other (Wilson 1995). Wilson (1995) emphasizes the role of social bonds, since trust and compatible personal chemistry are important variables for successful relationships. Especially the initial stages in dyadic interaction require information exchange and through this interaction parties become acquainted and start to build social bonds and trust. The interaction will also shape the future of the relationship. Wilson argues that the partner search and selection stage is a more active stage that is implied in the “awareness” stage in the Dwyer et al. model. During the next phase, defining the purpose of the relationship, the partners will clarify their goals and the breadth of purpose or scope of the goals.

### **Other relational approaches**

## Abstract preview

Wilkinson and Young totally reject the idea of stages and introduce the concepts of business dancing (1994) and business mating (2005) to relationship formation. The mating metaphor emphasises the search for compatible partners, whose characteristics make a good match. During the formation process, the parties evaluate their potential match; they get involved in a joint choice, i.e. choosing and being chosen (Wilkinson et al., 2005). Elsewhere in the literature the matching process is described as mutual evaluation where both parties assess the goals, attractiveness and performance of each other (cf. Ford, 1980; Dwyer et al., 1987).

**Table 1 Synthesis on initiation as a phase/stage/state/status during relationship evolvement and identified relational initiation activities**

Author and the model	Phase related to initiation	Processes and activities found in the description of phase
Ford (1980)	Pre-relational stage	Evaluation, using reputation as a substitute to reduce the distance
	Early stage	Negotiation
Dwyer, Oh and Schurr (1987) Seller-buyer	Awareness phase	Building awareness, one way communication
	Exploration phase	Attraction is formulated, bargaining, expectations are build, testing future goals
Frazier (1983) Interorganizational exchange in marketing channels	Initiation process	The motive or need arises Scanning potential intrinsic and extrinsic rewards Information gathering
Larson (1992) Network relations	Preconditions	Reducing uncertainty, clearing expectations, enhancing co-operation with prior social relations and reputation
Wilson's model (1995) Buyer-seller relation	Search and selection (and defining purpose)	Performance scanning Social bonding Communication to establish comparison level Trust creation Expectations Screening mutual goals and shared values
Andersen (2001) Buyer-seller	Pre-relationship phase (and negotiation phase)	One-way communication, awareness building, being aware Two-way communication, risk reduction, attraction, building expectations and trust
Batonda and Perry (2003) Interfirm network relations	Searching processes	Recognition of need for going into a relationship Searching potential partners from outside and inside sources Finding more information and cross-checking partners' competence Looking for a match between the need and capability Evaluation and selection of potential partners based on personal social and economic attributes Activating business relationship from personal pool of contacts or personal relationships
	Starting processes	Making initial contact through by direct visit, direct contact or through introduction by trusted third party Presenting the purpose/ opportunity Establishing rapport, testing of personalities and compatibility of partners Testing/probing of goals and compatibility
Edvardsson, Holmlund-Rytkönen, Strandvik (2007) Buyer-seller	Unrecognized status	The parties do not know each other or the buyer does not recognize the seller.
	Recognized status	One-sided or two-sided awareness and social relations are built.
	Considered status	
Halinen (1997)	Preconditions	Attraction Awareness of other party's goals, needs and resources Common interest in building relation
Wilkinson & Young (1994, 2005)	The dance invitation	Matching

## **b. Buyer-seller-approaches: Investigations as buying and selling activities**

The formation of a business relationship is also a question of buying and selling. In relationship evolution models reviewed above, initiation activities are seen as mutual process, but buying literature stresses the buyer party's initiation activities as rational decision making process, where the buyer evaluates identified potential seller parties on the basis of negotiations, proposals and presentations and aims to make an optimal decision by reducing the risk. Selling literature emphasizes active selling, marketing communication, customer acquisition and performance verification activities. Thus, the buying and selling literatures give further conceptualizations to understand the initiation processes.

### **Sellers' initiation activities and processes**

In the light of selling literature, seller party actively seeks and creates new customer relations. Initiation can be linked to the selling process, where the first step is to define and prospect the potential customers, preapproach and approach them, present the firm and the offering, counter the overcoming objections. The final steps are to maintain customer for long term (Moncrief & Marshall 2004).

In *prospecting* the firm utilizes segmentation in order to target its actions to more homogeneous groups of customers. (Broch et al. 2003). Typical methods of prospecting are referrals and networking (Moncrief & Marshall 2004, 15). *Preapproach* refers to activities such as doing research on the potential customers and their needs and pulling together relevant material for the actual sale. (Moncrief et al. 2005; Jaramillo & Marshall 2004). Nowadays because of electronic communication and databases the organizations can gain "a complete history of purchasing, past and present needs, and even the anticipation of what would benefit in the future" (Moncrief & Marshall 2004). *Approach and presentation* starts, when the contact is created, and the benefits, referrals or introduction can be utilized in the approach. In the *presentation* phase selling points are presented and visualized. (Moncrief et al. 2005) During selling, the supplier must demonstrate an ability to resolve the customer's problem: the seller party needs not only to understand the dimensions of the problem, but also to provide a solution to the problem. During the presentation, a salesperson can provide much more depth of knowledge that is targeted to a specific customer (Moncrief & Marshall 2004). Presenting benefits and perceived values can be challenging, since sometimes numerous benefits and costs can be examined after the transaction (Lapierre 1997).

There is a range of customer acquisition and communication practices to obtain new customers and the most cited are the following: direct mail, e-mail, Internet home page, responding to requests for new-business presentations, personal contact with top management, positive recommendations from satisfied clients and word of mouth, sales calls and cold calling, publicity of recent successful works, trade advertising, brochures, winning industry awards, yellow pages, trade shows, agency news letters, speaking at functions and hosting seminars, and entertaining potential clients (Waller et al. 2001, Feldmann Barr & McNeilly 2003, Warsta et al. 2001). However, external "advocates" such as satisfied customers and experts are usually in a significant role, since they can generate new business through the recommendations and communication networks (Waller et al. 2001, Johnston & Levin 1996) and mutual friends or current customers may contact the prospect to arrange sales interviews in intermediary approach (Jaramillo & Marshall 2004). Also new ICT based communication such as email, web-pages, electronic news letters, audio-video conferences enable to collect new information about customers, to be in contact with them and to present performance (Moncrief & Marshall 2004). Sellers' initiation activities may vary between national and large firms and smaller local firms, since the large firms have more financial resources to invest in large scale marketing materials to build their image, whereas smaller firms invest in creating client relationships, building the firm's image and fast follow-up referrals (Feldmann Barr & McNeilly 2003).

### **In sum, the following initiation activities can be derived from selling literature:**

- Screening and evaluating potential customers
- Information search concerning potential customers
- Building awareness
- Using existing relationship to get new business started (social relations, referrals)
- Providing information and communicating with potential customers
- Presenting the offering and the performance of the firm
- Keeping the process on-going with marketing activities

### **Buyers' initiation activities and processes**

From a buyers' viewpoint, the first phases of initiation can be related to buying behaviour, and



decision making seen as buying process, where the buyer evaluates the potential seller parties with evaluation criteria. Three classics have set the groundings of the industrial buying behaviour literature: Robinson, Faris, and Wind (1967), Webster and Wind (1972) and Sheth (1973). Johnston and Lewin (1996) aim to integrate these models in to an integrative frameworks of organizational buying behaviour.

Organizational buying literature considers buying as a complex multiphase decision making process with many persons (in many roles and from different departments), multiple goals and objectives (Webster and Wind 1972; Johnston and Lewin 1996, 1). Process includes activities such as defining the buying situation and identifying, evaluating, and choosing among alternative brands and suppliers (Webster and Wind 1972, 14). Robinson, Faris and Wind (1967) introduced the following phases of activities of organizational buying: recognition of need and a general solution, determination of characteristics and quantity, description of characteristics and quantity, search for potential sources, acquire and analyze proposals, evaluate proposals and select suppliers, select an order routine, and performance feedback and evaluation. In Webster and Wind's model (1972), the specific tasks that must be performed to solve the buying problem are: 1) identification of need, 2) establishment of specifications 3) identification of alternatives 4) evaluation of alternatives 5) selection of suppliers. Buying situations are compared to problem-solving, and the situation starts when a problem – a discrepancy between a desired outcome and the present situation – is recognized and it can potentially be solved through buying action (Webster and Wind 1972, Möller 1985).

The widely used “new buy, modified rebuy, straight rebuy” classification by Robinson, Faris, and Wind (1967) is useful also in outlining the initiation process since it always include novel elements. Novelty of purchase usually leads to larger buying centers or external information search (Dawes et al. 1996; Henthorne et al. 1993).

In initiation situations the risk is assumed to be high. Buyers' risks originate from type of purchase, the importance of a particular purchase, the complexity associated with the purchase, or time pressure (Newall 1977, Sheth 1973, Johnston and Lewin 1996). Increased risk can be lowered with various reduction strategies and tactics, such as external uncertainty reduction (visiting supplier's plant), internal uncertainty reduction (consult with other buyers), external consequences reduction (multiple sourcing) and internal consequences reduction (consult with company's top management) (Hutt and Speh 1992; Salminen 1997). Mitchell (1998) found for example the following risk reduction strategies to be important in new buy situations: preparing a detailed brief for the consultants, using the consultants who are known to have done work in the subject area of interest and obtaining colleagues' opinion of consultants.

Buying process requires active information from many sources, and the nature of the information seeking process is dependent on the level of the buyer's expertise, the level of risk and the size and organizational purchasing structure of the buyer company. (Newall 1977, Johnston & Lewin 1996, Webster and Wind 1972). Buyers participate in trade shows, conferences, exhibitions, and professional associations. (Johnston and Lewin 1996, 5). Usually the buying center gathers and evaluates relevant information and makes recommendations to the upper-level management. (Johnston and Lewin 1996, 8). Johnston and Lewin (1996) emphasize the interfirm communication aspects of organizational buying more than the previous models, and they also add the dyadic and network perspectives in buying behaviour. Communication networks introduced by Johnston and Lewin (1996) amalgamate intrafirm and interfirm influences, and illustrate how the members of the buying firm involved in the purchase process communicate with other buying center members, as well as with co-workers outside of the buying center and with the “selling center”.

During the earlier stages of the decision process buyers may rely more on impersonal commercial information sources, but when the process progresses, personal noncommercial information sources (outside consultants, other organizations that have already made similar purchases) may become more important (Johnston and Lewin 1996, Mitchell 1998). Interfirm (buyer-seller) relationships and communication networks become increasingly important in higher risk purchase situations, since proven track record helps reduce the perceived risk associated with an important purchase and established networks between multiple members of the buyer and seller firms facilitates information exchange and fosters an atmosphere of cooperation (Johnston and Lewin 1996; Henthorne et al. 1993).

Buyers use evaluation criteria, evaluation checklists and selection factors to evaluate their potential new and existing seller parties: price, quality, service and availability are the most commonly discussed buying criteria (Bunn 1993, 73; Sheth 1973). However, due to the novelty of the situation and the lack of experience, the buyer might confront difficulties in decision making in initiation situations. In new task purchase situations, for example, established procedures and decision making guidelines might be inappropriate (Johnston and Lewin 1996; Möller 1995).

## Abstract preview

Johnston and Lewin (1996, 9) propose, that negotiating strategy and collaborative or problem-solving approach are more likely to be used between the buying and selling firms, because “the buying firm’s primary goal is to find the best solutions to an important purchase problem and /or to reduce the risk associated with an uncertain purchase outcome. Consequently, rather than being confrontational or aggressive, negotiations between buyers and sellers focus on cooperation and information exchange in an attempt to discover the best solution to the purchase problem.”

Members of a buying center execute decision-specific interpersonal interactions when they are making buying decisions (Bristor 1993). Some writers have emphasized rational, economic factors in the buying task and some the opposite directions, non-task-view, emphasizing personal goals, buyer-salesman interpersonal interaction and internal politics that are involved in the buying decision process (cf. Webster and Wind 1972).

### **In sum, the following initiation activities can be derived from buying behaviour literature:**

- Recognition of a need or problem
- Information seeking, gathering
- Identification of the initial consideration set
- Request for proposals, presentations or interviews and track records
- Decision making
- Forming the need/problem and the focal assignment/order
- Briefing the seller party
- Evaluation
- Lowering risk and uncertainty
- Bargaining, negotiating
- Risk reduction

### **c. Network approach to initiation: connectedness and network activities in initiations**

Relationship marketing literature considers the initiation as a dyadic phenomenon, buying and selling literature approaches the initiation from one viewpoint, but network literature and especially IMP-researchers have pointed out the network aspects in initiation. Because of connectedness, the initiation is not always a dyadic phenomenon. Relations can be considered as bridges that connect not-connected actors and assist actors to reach new actors through their connections and relations. (Ritter 2000; Håkansson & Snehota 1995). Due to connectedness, external network actors can be involved or have influence on initiations. The network effect on initiations is acknowledged but it is still only briefly mentioned in the existing literature. Network context is included in the initiation research by Holmen et al. (2005), Ritter (2000), and Batonda and Perry (2003). For example Batonda and Perry (2003) argue that the stage models reflect the multi-dimensional aspects of networks, but still they focus only on dyads despite the prevalence of triads and nets. Holmen et al. (2005) introduce the direct and the network-mediated opportunity to initiation, when a known connected partner act as a mediator. Ritter (2000) analyzed interconnectedness in business relationships and identified a mediation effect that is companies can indirectly or directly effect on the initiation. One-sided, positive “assistance effect” occurs, when experiences gained in one relationship are used in another, for example through references, and “an initiation effect” occurs, when one organization introduces companies A and B to each other, and a new relationship begins. Thus, actors in a network with direct relations can bridge not-connected parties and act as mediators (Ritter 2000; Smith & Laage-Hellman 1995).

Network effect and activities of initiations are described in the figure 2.

## Abstract preview

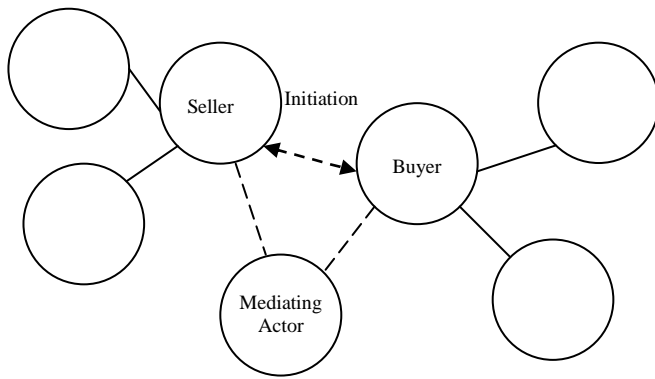


Figure 2 Network-effect on initiation

**The following network related initiation activities are mentioned imp-network literature:**  
Gaining access and forming preconditions/trust, introductions, referencing.

### d. Social embeddedness and social activities in the initiation

The power of social networks and personal relations are acknowledged widely. In initiation situations, preconditions for exchange are mutually built up through social relations. (see Granovetter 1985, Uzzi 1997, Gulati 1995, Larson 1992). Uzzi (1997) sees that social embeddedness creates economic opportunities because it signals reliability and competence and increases an actor's capacity to access resources, adjust to unforeseen events, and take risks. Gulati (1995) points out that the number and density of earlier direct and indirect linkages with business actors are in more important role in co-operation and new business creation than size and age of the firm.

Several relationship development models note the importance of personal relations and assume that social network of individuals effects on the formation of relationships. (see Dwyer et al. 1987, Ford 1980, Batonda & Perry 2003). Halinen and Salmi (2001) draw attention to the role of personal contacts in critical phases of business relations, from the initiation to the dissolution of the relationship. Social relations can act as negative gate keepers but positive gate openers as well. In the initiation phase an existing personal relation may provide a first contact and access or information and recommendations, which may lead to new business relationships.

There is also empirical evidence on personal contacts impacting on the beginning of business relationship: Ellis (2000) studied how new international exchange partners are identified via existing social ties. Dibben and Harris (2001) investigated how business relationships develop from social relationships between CEOs. Edvardsson et al. (2007, 15) found that a few key people have a strong impact on the development of the relationship initiation. Personal contacts that assist in creating new business relations are based on personal history, family, friends, education and earlier tasks in various firms and organizations (Wong and Ellis 2002; Aarikka-Stenroos & Halinen 2007).

Social embeddedness of initiations is described in the figure 3. On the organizational level two organizations are initiating, but beneath the organizational structure, activities are executed by persons with social relations. According to Batonda and Perry (2003, 1464) *the complex multidimensional social and economic activities* related to relationship processes have been neglected, even though the relationship development seems to be influenced by the social context and the interaction between both economic and personal actors in the network.

Social relations and activities can be linked to other initiation activities of both parties. For buyers, social relations can serve as "advice pools" (Nebus 2006) and facilitate information search and decision making (see Bristol 1993, Nebus 2006, Henthorne et al. 1993, Wheeler 1987). For sellers, social relations serve as information and contact sources and facilitate prospecting and approaching the potential customers (Jaramillo and Marshall 2004). Social networking supports the seller to generate new business through recommendations and referrals (Waller et al. 2001) and small start-up companies to have access to large corporations (Warsta et al. 2001). Especially information and contact sharing through social networks is assumed to be crucial in initiation situations, since confidential but crucial information is usually shared especially through social relations (Nebus 2006).

## Abstract preview

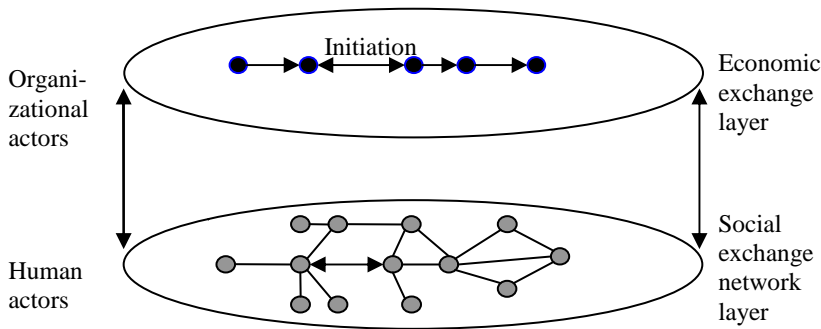


Figure 3 Social and economic layers in initiations (Idea of the figure originated from Holmlund & Törnroos 1997, 308)

**In sum, the following initiation activities can be derived from literature concerning social networks and embeddedness:**

Gaining access, forming trust, reducing risk, information sharing.

### 3. KEY FEATURES AND PROCESSES OF INITIATION

Even if stages of stage-models are accepted, we have to also accept that the initiation is a blurred launch phase of relationship that involves various actors, different episodes and communication between various individuals and firms. In the following section, the features of initiation process and initiation subprocesses are discussed and summarized on the basis of literature reviewed above. The blurredness of initiation seems to be originating firstly from its challenging features and secondly from features and multiple subprocesses of the initiation phase.

#### a. Features of the initiation process: activity, intentionality, speed

##### Activity and the initiator

First, there is a question about the activity of the parties in the initiation. The focal firm can be either active or reactive in initiation (Holmen et al. 2005). According to the interaction approach, there are two active parties in buyer-seller relationships, since both the buyer and the seller can be the initiative in seeking a partner, contrastively to previous approach in which a buyer reacts to seller's offering. (Ford 1980). Naturally, selling literature emphasizes the seller party's activeness as a new relation creator, who creates contacts and verify its performance and trustworthiness and the buying literature sees the buyer as an active choice maker and decision maker. Activeness may realize through organizational or personal initiation activities.

Larson (1992, 89) empirically noticed the existence and *the need of initiator*: one side acts as an initiation and manifests willingness to a further relationship. However, literature acknowledges also externals through social relations or referencing practices impacting or starting relationship development or initiation (Batonda and Perry 2003, Aarikka-Stenroos & Halinen 2007, Ritter 2000, Wong & Ellis 2002). The initial contact can be made through by direct visit or contact or through introduction by trusted third party (Batonda and Perry 2003). Thus, there can be *three active parties* in the initiation: the seller, the buyer or the external third party.

##### Intentionality vs. unintentionality

Secondly, the *intentionality* of initiation can be definite or indefinite, since the initiation can be a result of intentional actions or coincidence. All the main literature areas (relationship development literature, buying and selling literature) consider initiation activities mostly as rationally intentional. However, despite of selling activities, new customer contacts may emerge by accident, not by active and systematic selling efforts (Warsta et al. 2001) or a new business opportunity can be identified and suggested by the an externals of emerging dyads. This raises another dimension, namely unintentionality of the initiation process.

##### Speed and progress

Thirdly, the speed and progression of the process are unpredictable and vague. Selling literature sees selling activities progressive and the buying literature considers similarly the decision making onward going, but from relational approach the progression is more ambiguous. The relationship may start from the first contact but there can also be a long overture before the first deal is possible. Years may elapse after the

promising first contacts; the latent and dormant relationships of a firm and the opportunities that these enable may be activated when needed (Edvarsson et al. 2007, Holmlund and Törnroos, 1997; Warsta et al., 2001; Halinen, 1997). Initiation does not only progress, instead, the process can also flow backward or stop on any stage (Edvarsson et al. 2007, Batonda and Perry 2003). The social embeddedness literature instead addresses the speed of the process in one way since it acknowledges that social relations are time-taking to build. This might be one reason to the unpredictable speed of initiation processes. For example, in positive cases good personal chemistry or gained facilitating personal relation can accelerate the progression of the process.

**b. Synthesis of the initiation subprocesses**

In reviewed models of relationship development, buying and selling, a number of factors and activities are emphasized as key aspects of initiation. On the basis of the literature review several key processes can be distinguished as essential in the initiation of a business relationship (See the figure 4). In literature, the need recognition or awareness are usually considered as a launch of initiation.



**Figure 4 The literature driven activities considered as subprocesses of initiation**

The subprocesses can be gathered and classified under general initiation processes but these categories should not be taken as sequential.

**Identification of the need**

During the initiation, *the need* or *motivation* needs to be recognized and defined. One-mindedly, the need is mentioned as a launch of relational development process and buying process.

**Identification of matching, attractive partner**

Actors create *awareness* and aim to being aware of potential partners. *Attraction* between some actors rise: parties attract each other and are attracted on the basis of perceived similarity of values, social relations, complementarity, learning and reference values.

During the initiation, both parties evaluate matching through scanning the goals, attractiveness and performance of each other. The seller seeks and evaluates potential matching buyers, for example by prospecting, because it is also in the seller’s interests to cooperate with certain customers to get profitable orders or challenging assignments from customers who fit to the competence and strategy of the firm.

**Access**

However, the awareness and attraction are not enough to initiate: also *access* needs to be created. The seller party needs the access, but in some cases the buyer party needs access to the seller party as well, and

this subprocess can be facilitated by the external parties. Social relations, attraction and proved trustworthiness legitimated through w-o-m, reputation and referencing facilitate the access gaining.

**Constant information gathering and providing, performance scanning and performance verification**

Parties seek and *gather information*: the seller party prospects potential customers and the buyer party aims to know their potential suppliers.

The buyer party *evaluates* the offerings of new potential suppliers, *monitors their performance* and evaluates the value of offering in the short and long term to get return on investment. Different decision criteria are employed, and different information sources utilized.

Risk and uncertainty perceived by the buyer needs to be reduced, because the initiation situation is assumed to be a high-risk situation due to the novel elements. *Risk is reduced* through performance scanning, trust creation and information search.

During initiation, both parties search information unilaterally. Buyer seeks information to recognize the seller parties, to evaluate them, to negotiate with them and to make the right decision.

The seller party needs to prove its capability and competence: it is able to combine its resources and expertise to fulfill the requirements of the customers (see Eriksson et al. 1999). Information gathering and evaluation is linked to *internal decision making* within both firms.

**Forming and defining the first focal transactions**

During initiation, parties *bargain and form the conditions of "the delivery"* or the assignment. On the basis of perceived information and experiences, the buyer party *forms expectations*. The desired solution/offering is defined: during negotiations parties *specify the deal and attempt to discover the best solution* to the buyer's problem. The buyer party communicates its short and long term needs, and the seller party aims to present potential solutions to the problem.

**Building conditions to operate (trust creation, information sharing, getting acquainted, gaining mutual understanding)**

Both parties aim to reduce distance and to complete the lacking experiences. *Distance is reduced* with trials, social relations and through gaining experience through interaction.

Initiation also includes *mutual communication* and mutual information sharing. *Gaining mutual understanding* is based on whether the seller listens and understands the buyer and is able to show this to the buyer party.

**Planning and forming the future of potential relationship (expectations, evaluation, trust creation, matching, social compatibility)**

*Mutual trust is build* in order to execute business long-term minded. During initiations, parties *forecast the common future and formulate strategic dimensions* of their emerging relationship. Organizational strategic matching and common goals as well as, personal compatibility are in great roles in these processes.

In sum, instead of linear initiation process with stages, we see the initiation consisting of a range of subprocesses. Some of them follow each other linearly, but some of them should be considered non-linear, constant or sporadic and embedded in other processes.

#### 4. CONCLUSIONS AND IMPLICATIONS

Existing relationship models include the initiation as a phase, stage, state or status, but they do not focus on the essence of this particular phase. The processual nature of initiation has arrested researcher's attention to the order of initiation or relationship development phases.

The initiation is usually a blurred phase of relationship with interruptions and unpredictable shifts. The concentration to ongoing relationships and the ending of relationships might derive from the difficulty in defining when a relationship really begins and latent opportunities that can be activated when needed (cf. Holmen et al. 2005, Holmlund and Törnroos 1997; Warsta et al. 2001). The literature sees awareness and need recognition as the starting points of initiation, but there still is a temporal dilemma in initiation process: the occasion when the relationship begins is vague, since usually parties can be aware of each other for a long span and awareness and attraction precede the actual economic exchange. Because of social embeddedness, social contacts and relations and informal events and episodes may occur before economic transactions, and some of social exchange may turn into critical incidents leading to economic transactions and a business relationship. Also unintentional or indirect contacts can slowly start the initiation process.

This paper focused on initiation phase and its findings relate to three major aspects of initiations: the blurredness of the initiation phase originates from the features of the initiations (activity, intentionality and

speed) , various actors and exchange dimension involved in the initiation phase and a range of non-linear and linear initiation subprocesses.

This paper identified an amount of key processes of initiation on the basis of previous empirical and conceptual literature (see Figure 4). Some initiation activities and subprocesses are dominated by the seller, the buyer or the external actors and some of processes are unilateral and some mutual. Processes are both social and economic by nature (see the table 2). This paper concludes that firstly, some subprocesses are assumed to be linear, such as awareness → access → evaluation. However, some sub processes are non-linear, such as evaluation, information gathering, matching and trust building, since they are constant processes or may be reactivated sporadically. Secondly, initiation processes are influenced by various actors and their activity and intentionality level. A trigger incident or trigger actor of the initiation process can be related to the seller, the buyer or the external actor (see Batonda & Perry 2003, Henthorne et al. 1993, Jaramillo & Marshall 2004). Additionally, previous literature does not put enough attention on intentionality of activities, and thus *intentionality* might be complex and worth of deeper investigation. Thirdly, the role of personal and organizational externals related to initiation should be acknowledged. Fourthly, the importance of social processes related to initiations should be investigated deeper.

The paper contributes by arguing that the initiation phase includes *both* linear *and* non-linear subprocesses. Instead of arguing between states and stages, we propose initiation to be considered as a process consisting linear and non linear subprocesses. Non-linearity can be seen within previous literature, since several writers see that relationships don't progress in a predetermined way and many relationships fail to develop at all after an initial contact. Previous criticisms towards stages models is directed to *definiteness* of relationship development stages (Ford et al. 1996; Edvardsson et al. 2007, Batonda and Perry 2003), since the relationship development and initiations seldom progress through a definite step-by-step development process, but instead they can cease and reactivate and even reverse.

Because of inconsistent speed, potential unintentionality, variety of personal and organizational actors as active and reactive initiators and activators, it might be difficult to outline, when the initiation “starts” and “who” was it and who “did what” and why these elements lead to the new relationship.

**Table 2 Categories of the initiation sub processes**

Actor dominating the process	Seller dominated initiation activities and key processes
	Buyer dominated initiation activities and key processes
	External dominated/involved initiation activities
Relationality	Mutual relational long-term oriented activities and key processes
	Unilateral relational long-term oriented activities
	Mutual transactional short-term oriented activities
	Unilateral transactional short-term oriented activities
Dimensions	Social activities
	Economic activities
	Network activities
Processuality	Linear processes
	Non linear processes

The framework outlined in this paper is meant as a starting point for further research in this field. Knowledge on this aspect can be extended in a number of ways. Understanding the subprocesses of initiation of buyer-seller relationship calls for empirical research focusing on subprocesses, features of initiation and actors involved in the initiation activities. It would be necessary to investigate different kind of initiation situations, since subprocesses and features are assumed to be emphasized differently, whether the initiation concerns new actors on the markets such as foreign entries and start-ups, mature firms with new products or strategic goals or buying firms with new needs.

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