

THE DEVELOPMENT OF INDUSTRIAL BUYER-SELLER RELATIONSHIPS IN A CHINESE CONTEXT²

Competitive Paper

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Abstract

Purpose of the paper and literature addressed: The purpose of the paper is to illustrate how industrial buyer-seller relationships develop outside the Western World, especially in the case of China. Hence, the paper will address the current industrial buyer-seller relationship process models and guanxi and its development.

Research method: The paper studies four case relationships between a Chinese industrial buyer and a Finnish industrial seller. The research method is that of inductive multiple case study.

Research findings: The industrial buyer-seller relationship develops through the following states: (1) Beginning States: (a) Searching, (b) Starting; (2) Middle States: (a) Growth, (b) Troubled, (c) Decline, (d) Constant; and (3) End States: (a) Termination. The State of Dormancy or Inert may be considered a hybrid state, i.e. as both a Middle State and an End State. Guanxi develops simultaneously through various states depending on the membership, network, and tie type.

Main contributions: (1) Combining the industrial buyer-seller relationship process models and the literature on guanxi; (2) discussing the development of industrial buyer-seller relationships outside the West; (3) illustrating the development of industrial buyer-seller relationships at different levels of analysis, i.e. that of the individual, functional, and organizational levels; (4) studying the industrial buyer-seller relationship from both the buyer's and seller's point-of-view.

Keywords: China, Guanxi, Industrial Buyer-Seller Relationship, Relationship Development

² The Conference Paper is based on the author's upcoming Doctoral Dissertation.

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INTRODUCTION

Several academics have discussed the development of relationships (Arora 2008), but not at the international level (Jones and McCleary 2004). Petison and Johri (2008) have noted that the current academic views on the stages of relationship development are generally based on the buyer-seller relationships within the developed markets. Actually relationship marketing as a domain has been developed basing on the Western economics, psychology, and management theories (Flambard-Ruaud 2005). However, members from different national cultures may understand relationships and relationship management in various ways (ibid) as the roots for developing relationships and the relative significance of relationship-related attributes differ across national cultures (Buttery and Wong 1999; Chua, Morris, and Ingram 2009; Dunning and Kim 2007). For example, Chinese believe that transactions follow a relationship (Ambler 1994; Luo 2007; Park and Luo 2001; Vanhanacker 2004); whilst Westerners view that a relationship develops through occurred transactions (Ambler 1994; Luo 2007; Park and Luo 2001) or more precisely contracts or deals (Vanhanacker 2004). The different viewpoints on relationships are still a novel research area (Flambard-Ruaud 2005).

Fletcher (2004), Fletcher and Fang (2006), and Ha, Karande, and Singhapakdi (2004) state that research on both culture and relations have been based on developed countries. Additionally little research regarding the cultural-specific factors affecting relationship marketing has been conducted (Bianchi 2005), including that completed by the IMP Group (Hyder 2008), even though culture is significant in relationships (e.g. Fletcher 2004; Fletcher and Fang 2006; Hewett, Money, and Sharma 2006; Nes, Solberg, and Silkoset 2007) and in business in general (e.g. Hofstede and Hofstede 2005). However, utilizing a Western relationship marketing model is questionable in the Asian context, including that of China (Wang 2007).

National culture has been noted to be a key environmental characteristic causing systematic differences in buyer-seller behavior. It acts as the foundation for generating beliefs and behavioral standards, which affect the interaction manner of individuals. (Dash, Bruning, and Guin 2007; Harris and Dibben 1999) Pressey and Selassie (2002), however, have found that national culture would not matter in industrial buyer-seller relationships. Their definition of the impact of national culture is limited, as they do not consider it to affect and determine the national business environments.

In research regarding China, relationships management and negotiations have been somewhat discussed, but there are still big gaps in the research that need to be examined (Ho and Lee 2007). For example, the development of *guānxì* (关系)³ has been deliberated on scarcely (Kaunonen, Polsa, and Xiucheng, 2010). This may be due to the recent Chinese history. Whilst Chairman Mao Zedong governed China, China was a supply-driven economy and, hence, marketing did not play a big role. After Deng Xiaoping opened the Chinese market with the introduction of socialist market-oriented thinking in 1978, the importance of marketing has grown. The Western managerial theories have also begun to influence the Chinese business culture. However, the Chinese market is still quite traditional in the sense that it depends on relations. (Ambler, Styles, and Xiucun 1999) These Chinese relations or

³ In the Anglophone academic and business literature, *guānxì* (关系) has been written in several ways, i.e. with pin-yin, with characters, or in italics. In this paper, the Chinese character and pin-yin will be provided the first time a concept is used, afterwards the term will be written as in English without italics.

guanxi differ from Western relational exchanges (Gu, Hung, and Tse 2008) as presented in Appendix 1.

In China, a collectivist culture, family and kinship ties are regarded as important social resources, as noted in Appendix 1. Guanxi, as such, can be considered as a special, Chinese, form of relational exchange, which has been influenced by Chinese institutions, or actually the lack of formal institutions. (Gu, Hung, and Tse, 2008) The major difference between guanxi exchanges and Western relational exchanges is the philosophy and its assumptions behind the individuals participating in the exchange (Lovett, Simmons, and Kali, 1999), i.e. whilst the Chinese follow Taoism, the West thought is based on Aristotelian (linear) logic (Ambler, 1994). The way in which guanxi is practiced may be viewed unethical from the Western point-of-view, as the Western principles of “fairness” and “equal opportunity” may be violated (Lovett, Simmons, and Kali, 1999) as Westerners view issues having clear alternatives, whilst for Chinese, issues may be more blurred, i.e. both and instead of either or (Ambler, 1994).

The objective of this study is to discuss the development of industrial buyer-seller relationships outside the Western World, especially in the case of relationships between a Chinese industrial buyer and a Finnish industrial seller. Special emphasis will be placed on the impact national culture has on relationship development. Thus, the main research question is defined as:

How is the relationship development of industrial buyer-seller relationships in the Chinese context?

In order to study this, the following research subquestions have been identified:

1. How does a relationship between a Chinese industrial buyer and a Finnish industrial seller develop?
2. How does the relationship development of a Chinese industrial buyer and a Finnish industrial seller differ from the current relationship development models proposed in the academic literature?
3. How does the relationship development of a Chinese industrial buyer and a Finnish industrial seller differ from the current development models of guanxi?

To answer these research questions, a multiple case study method is used. The research method and the structure of this paper will be elaborated on subsequently.

RESEARCH METHOD

In order to understand the industrial buyer-seller relationship process, the current theories and research conducted regarding the identified problem area need to be discussed (Olkkonen, 1994). In order to understand the different ways in which the development of industrial buyer-seller relationships has been studied, a thorough literature review was conducted. The search term “industrial buyer-seller relationship development” was inserted into both the Google Scholar search engine and the EBSCOHost database, which is directly linked also to Springer Link and Emerald Insight databases, resulting into over 14,000 articles and books. From these over 14,000 items, first-of-all the title was checked. If the title was such that the item possibly discusses industrial buyer-seller relationships and especially their development,

the keywords and abstracts were checked. If the item still was classified as an item on the industrial buyer-seller relational process models, the introduction and conclusions were read and figures and tables browsed. Finally, if the item was still considered to discuss industrial buyer-seller relationship development models, the whole item was read.

In addition, the referees in these search results were checked and the same process was conducted. Based on the titles and abstracts of the search results, 45 accessible journal articles, conference papers, and books regarding industrial buyer-seller relationship process models were identified and will be briefly introduced in the subsequent section: Industrial Buyer-Seller Relationship Process Models.

Hence, for example, the internationalization theories were left out of this conceptual-analytical review, as they consider more (the governance of) a focal firm than a dyad. Academic literature regarding agents or mediators, on-the-other-hand, discusses whether to use one instead of building a relationship with one or how the agent or mediator cultivates one's own relationships. Generally, the international business models considering culture usually discuss the context, i.e. different value models have been suggested or different concepts regarding distance, but do not discuss how this context or distance affects actors developing a relationship in the industrial market.

As the Chinese context is unique for industrial buyer-seller relationships to develop, the specific business culture traits and habits will need to be understood. Therefore, the section on Guanxi (briefly translated as connections in China) and Its Development will discuss this concept.

The role of the researcher in this study is that of an information gatherer. The researcher will not observe how the relationships occur, but will gather information through in-depth interviews and secondary sources. The research itself is conducted through a multiple case study of inductive nature, i.e. the cases will be let to tell their own story without it being in the terms of the current theoretical models or accepted concepts (Gummesson 2003; 2005). As suggested by Eisenhardt (1989), this research studies four case relationships between a Chinese industrial buyer and Finnish industrial seller. The sampling method used was that of convenience: members belonging to the Finnish Business Council in Shanghai were contacted as well as representatives of Finnish companies known to function in the greater Shanghai area. The first four companies, which decided to participate in the study, were chosen as the sample. The contact people in these Finnish industrial sellers were asked to select a potential Chinese buyer for the study. The relationship with the chosen Chinese partner needed to be at least three to five years old. Based on the selection four different types of case relationships are under study: (1) a relationship between a Finnish seller and mainland Chinese buyer (former joint venture), (2) a relationship between a Finnish seller (former joint venture) and buyer based in Hong Kong, (3) a relationship between a Finnish seller and a Chinese distributor, and (4) a relationship between a Finnish seller and a Chinese subsidiary of a U.S.-based firm. In this case, what is meant with the Finnish seller is one's Chinese subsidiary. All these companies function in different industries. During the interviews with the representatives of these companies (altogether 18 interviewees), each was asked to illustrate how the relationship had developed up-to-that-point and the effect culture and guanxi has had on the relationship. In addition to the interviews, annual reports, journals and magazines, and websites were consulted to understand the relationships better. The case relationships will be discussed more in-depth in the Case Relationships -section.

In the final sections, Conclusions and Managerial and Theoretical Implications, the study will be concluded. Thus, the effects that this research has had on the existing theories and concepts will be discussed. In addition, recommendations and implications for the academic world and practice will be provided.

THE INDUSTRIAL BUYER-SELLER PROCESS MODELS

Batonda and Perry (2003a) have classified industrial buyer-seller relationship development models into three categories: (1) joining theory, (2) stages theory, and (3) states theory. Joining theory is based on the initial work of Thorelli (1986), but has not really been used to illustrate the relational development process nor has it been empirically been tested (Batonda and Perry 2003a).

Stages theory can be further divided into two classes: (2a) life-cycle models and (2b) growth-stage models. Life-cycle models are based on the idea that relationships develop through stage, which may be improving or deteriorating. Often these models consider the evolution of a focal firm instead of the cultivation of the relationship of a dyad (see Appendix 2). (ibid)

Growth-stage models are the most common type of relational process models. These view the relationship to be cultivated through more-or-less five stages: (1) the pre-relationship stage, (2) the attraction stage, (3) the formation stage, (4) the expansion stage, and (5) the ending stage (Baker and Hart 2008). Palmer and Bejou (1994) have proven the validity of these models, but some authors (e.g. Rao and Perry 2002) have criticized the models due to lack of empirical relevance. Some models (e.g. Ford 1980) consider this and claim that the stage model is not as straightforward as thought, but instead the stages may occur in a different path than proposed. (See Appendix 3)

States theory takes the capricious nature of industrial buyer-seller relationship development into consideration by suggesting that relationships go through various states (Batonda and Perry 2003a; Palmer 2007): the beginning state or states, the middle state or states, and the end state or states (Rosson 1986). The development of relations is highly complex as they go through the different states (Palmer 2007). (See Appendix 4)

The majority of the industrial buyer-seller relationship process models are conceptual or based on case studies. Only a few of the models consider the impact national culture may have on the relational development. Ford (1980) considers the impact of cultural distance, whilst Conway and Swift (2000) illustrate the effect psychic distance has. Overall the findings support that of Petison and Johri (2008), whom claim that the industrial buyer-seller relationship process models are based on the West.

GUANXI AND ITS DEVELOPMENT

Guanxi is a significant part of the Chinese society. Confucianism through the moral behavior, social modes, and social basis affects it. Guanxi, itself, influences the social-political life and business-economic activities and, hence, the Chinese society and economy. (Luo 2007)

Guanxi consists of six traits. First-of-all, guanxi is utilitarian, i.e. personal interests purposefully drive it. Secondly, it is reciprocal: one's reputation depends on how well one completes one's reciprocal obligations. Thirdly, guanxi is transferable: referrals are often used in order to gain access to a third party. Fourthly, guanxi exists between individuals.

Penultimately, guanxi has a long-term nature, i.e. one should maintain one's guanxi with another actor in the long-term. Finally, guanxi is intangible: one does not need hard copies of contracts, as one may trust the other due to the scare of losing one's face. (Dunning and Kim 2007)

The development of guanxi has been scarcely discussed in the academic literature. Only five models have been identified. Leung, Wong, and Tam (1995) consider the development of guanxi as a four-stage process with eight subprocesses. They base their work on psychological concepts of associate, partner, new friend, and old friend. Buttery and Wong (1999) have refined this model with psychological concepts of fencer and fiancé replacing those of associate and partner, respectively. Wong and Chan (1999) further developed the model of Buttery and Wong (1999). During the first stage, the fencer stage, the buyer and seller test each other. The parties are still individualistic and are aware of each other. During the fiancé stage, the actors are on trial and work more co-jointly in order to allow for mutual benefits to bear. When the buyer or seller becomes a new friend or favorable party, one moves to the insider circle. The buyer and seller may now be seen more as a team with the two team members feeling that they belong to that team. The final stage is that of (old) friendship, where the level of trust is already high and the parties are functioning quite conjointly. (ibid)

The peultimate guanxi process model is that suggested by Chen and Chen (2004). The development process consists of three stages: (1) initiating, (2) building, and (3) using. During the first stage, the buyer and seller familiarize with one another and set up guanxi bases (ibid), i.e. common bases on which to build guanxi (ibid; Luo 2007; Standifird 2006). This stage is conducted based on mutual self-disclosure. If the parties feel that the guanxi process may continue, the relationship between the two parties begins to build, i.e. the relational quality improves through expressive and instrumental transactions. Reciprocity is very important during this stage. The final stage is that of utilizing guanxi. The actors gain benefits from the relationship through the exchange of favors. (Chen and Chen 2004) The reciprocity needs to be somewhat equal in value (Seligman 1999), but never zero (Fan 2002) or otherwise the guanxi will be considered terminated (Chen and Chen 2004; Hsu 2005; Yeung and Tung 1996). Otherwise the guanxi will be considered to be at a latent state (Fan 2002; Fock and Woo 1998).

Kaunonen, Polsa, and Xiucheng (2010) have developed a process model, which combines the development of industrial buyer-seller relationships as stage theory and the development of guanxi. This model is shown in Table 2.

Table 2. *The Development of Guanxi as Proposed by Kaunonen, Polsa, and Xiucheng (2010)*

		Membership				
		Insider	Associate	Outsider		
Network	Primary	Core family, Near relatives	"Romantic Other"		Emotional	Ties
	Secondary	Relatives, Close friends, Classmates, Alumni, People from the same region	Strangers whom know an insider or associate in the primary network	Strangers whom build up guanxi alone or via intermediaries	Mixed	
	Tertiary		Strangers whom know an associate in a secondary network	Strangers	Instrumental	

The diagram illustrates the development of Guanxi through three network levels (Primary, Secondary, Tertiary) and three membership types (Insider, Associate, Outsider). The transitions are as follows:

- Expansion:** An upward arrow from the Primary network (Insider) to the Secondary network (Associate).
- Formation:** A leftward arrow from the Secondary network (Associate) to the Tertiary network (Associate).
- Attraction:** An upward arrow from the Tertiary network (Outsider) to the Secondary network (Outsider).

Additional labels include "Pre-Relationship Stage" in the Tertiary Outsider cell and "Romantic Other" in the Primary Associate cell.

The three-by-three matrix reflects the different types of guanxi and the processes with which one can move from one quadrant to another. Kaunonen, Polsa, and Xiucheng (2010) classify the different types of guanxi based on the network type: primary, secondary, or tertiary; the membership type: insider, associate, or outsider; and the tie type: emotional, mixed, or instrumental (ibid), as can be seen in Table 2.

Commonly, Westerners begin their guanxi development path as strangers, i.e. outsiders with instrumental ties with their Chinese counter partners and in the tertiary network of the Chinese, as visible in Table 2. Then Westerners begin to build their guanxi network. This may be completed alone or through mediators. The Westerner or Western companies need to show their attractiveness to the Chinese partner. If successful, the ties become mixed, the Westerners move into the secondary network of the Chinese. The Chinese, however, still consider the Westerner as an outsider. If a relationship forms with the Chinese, the Westerner may become an associate. There are two opportunities, if the relationship expands from this: (1) the Westerner may either become an insider, i.e. have a similar status as relatives, close friends, or classmates or (2) the Westerner may be taken into the primary network and become similar to one's fiancée (or the fiancée in fact, if one is considering personal relations). (Kaunonen, Polsa, and Xiucheng, 2010)

THE FOUR CASE RELATIONSHIPS

The Case Relationships exist between four buyer and four sellers of which all are present in the Chinese market. All of the companies belong to Division D: Manufacturing (OSHA, 2010) of the North American Industry Classification System (U.S. Census Bureau, 2010). All of the sellers act in the higher end of the market and try to create demand for their products through the quality, consistency, and technology services available. The environmental issues

and their increasing importance in China through, for example, regulations should increase the sellers' customer market potentials and potentially also market share.

Subsequently, each Case Relationship will be elaborated on based on the state theory -based process models of industrial buyer-seller relationships as they are the best fit for the Chinese context (ibid) and tend to be more iterative in nature (ibid; Rao and Perry, 2002). The development model of guanxi suggested by Kaunonen, Polsa, and Xiucheng (2010) as it considers membership, network, and ties.

CASE RELATIONSHIP 1: DRAGON

The Case Relationship Dragon began with the Searching State, when the seller noted the existence of the buyer, as depicted in Figure 1. The buyer being a joint venture (JV) between a Chinese company and a prestigious British company made the buyer more attractive. Especially as the JV was the company with the most potential in the Chinese market and particularly that of the higher end of the market, made developing a relationship with the actor a must for the seller. As the JV had an international company as the other parent, it was much easier to contact as the language and cultural barriers were lowered.

During the Searching State, the actors remain strangers as no contact has been made between the buyer and the seller, but instead only the seller has acknowledged the existence of the buyer and need to develop a relationship between the two business partners, as depicted in Table 3. At this point the prospective business partners remain outsiders to each other. As the two do not know each other personally, the parties belong to each other's tertiary network. The ties remain instrumental.

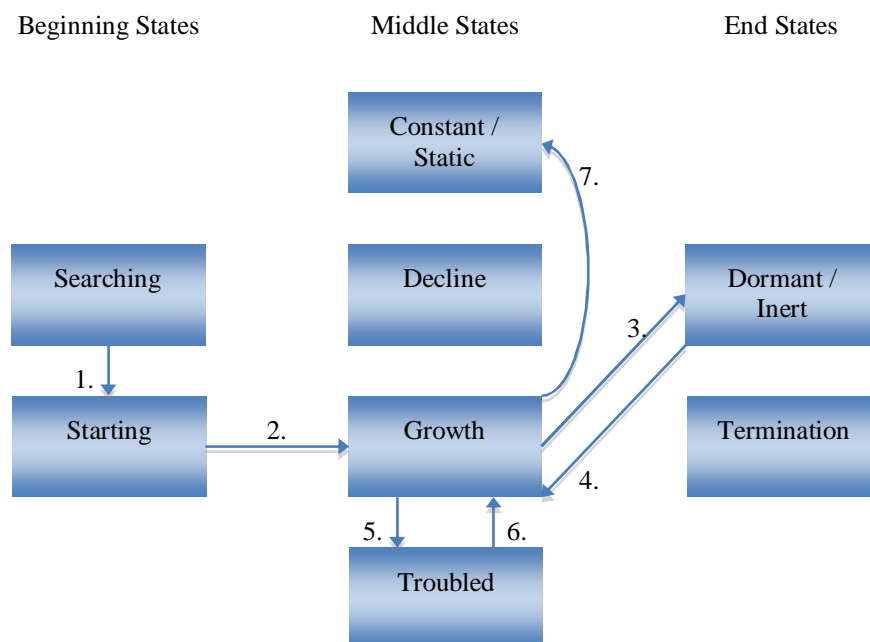


Figure 1. The States in the Development of Case Relationship Dragon.

Table 3. *The Development of Guanxi between Buyer Dragon and Seller Dragon.*

		Membership				
		Insider	Associate	Outsider		
Network	Primary	Core family, Near relatives	“Romantic Other”		Emotional	Ties
	Secondary	Relatives, Close friends, Classmates, Alumni, People from the same region	Strangers whom know an insider or associate in the primary network	Strangers whom build up guanxi alone or via intermediaries	Mixed	
	Tertiary		Strangers whom know an associate in a secondary network	Strangers	Instrumental	

During the Starting Stage, as seen in Figure 1, the seller contacted the buyer and tried to attract it. The seller as an internationally known player helped the relationship to begin, even though at that point in China, as Internet did not exist at the current extent, information about international actors was difficult to come across. A similar situation existed for the foreign players trying to find information about the local companies and the market in general. However, as the buyer was a JV, information about international actors was easier to encounter. The first order was made in 1996, when one third of the certain kind of machinery was ordered from the seller.

As the first order was successful, the relationship continued to grow and the actors became closer. The buyer's representatives visited the seller in Finland and the actors met each other more often. The parties held several meetings in which, for example, demos were presented. During 1998 and 1999, the level of trust between the actors increased, especially as the seller's products at the buyer's premises functioned well. Hence, the two evolved into associates, whilst the network remained the same. The ties were somewhat more personal than instrumental, but remained mixed.

During 2000 to 2002, a quiet period occurred within the relationship, i.e. the company representatives did not meet that often, only occasionally at trade fairs. Other divisions of the companies continued to interact. Even though, the relationship was in a Dormant or Inert State, the two were not dissatisfied with each other. At that moment the buyer was not planning to purchase more machinery and, hence, did not feel the need to be in that frequent contact. However, the relationship between the two continued to exist. During this State of the relationship, the parties remained in the same position as they were until that point. Even though, the relationship itself was experiencing a quiet period, the representatives of the companies met at international trade fairs at least annually.

The relationship continued to grow after the quiet period. The buyer made its second order with which it purchased six sevenths of the machinery from the seller. The interaction between the two became closer during 2002 to 2005.

Before the buyer made its third order from the seller in 2006 to 2007, the relationship experienced a troubled period. The relationship almost terminated at this point. However, the Managers of the companies felt that they should try to find a common understanding, as they did not want to end the relationship. Hence, the representatives of the companies worked hard to maintain the relationship existing. In the end, a compromise was found regarding the contents of a new order and the buyer purchased all the machinery from the seller. After the order was made, the relationship, however, maintained in a somewhat Troubled State as the buyer was experiencing problems with building its plant. Therefore, the seller needed to be extremely flexible. The buyer being a “must” in the Chinese market meant that the seller allowed this level of flexibility to occur.

The personal relationship between the General Manager of the buyer and the Vice President, Sales & Service, of the seller strengthened during the Troubled State of the relationship. The two decided that the relationship between the two organizations has to continue and, therefore, a win-win order needs to be drafted. The Vice President, Sales & Service, would consider the two individuals friends now. They, for example, spent time together during the Beijing Olympics in 2008 during which both business and more personal issues were discussed.

The Troubled State of the two brought the two organizations also closer to each other as the challenges faced during the period showed that both of the parties are committed to maintaining and cultivating the relationship. Hence, the actors could be considered insiders as the business partners more openly share issues. The relationship continues to have both instrumental and personal ties.

After the challenges were overcome, the relationship between the two parties was growing again as the trust level between the two had increased during the troubled period as the parties were willing to work together and showed their commitment to the relationship. In 2008, the buyer ordered machinery for its fourth plant in China. Three quarters of the machinery came from the seller.

Since 2009, the relationship has been in a Constant State, in which “normal business meetings” are being held. This means that the business partners meet about bimonthly, usually over dinner. The future of the relationship is questionable and depends on the strategy the buyer will take, i.e. will it continue to concentrate on the higher end of the market of branch into the lower end of the market, in which case it would probably not purchase machinery from the seller.

CASE RELATIONSHIP 2: RED BIRD

The process of the Case Relationship Red Bird has been more constant in nature. First-of-all, the seller searched for a buyer, as seen in Figure 2. The seller contacted the buyer already before entering a JV with an Asian company in China. The initial contact was quite straightforward, i.e. a cold call, as the Hongkongnese business culture allowed for this. Before the initial contact was made, the buyer had a limited, or even non-existing, knowledge base of the prospective business partner. The seller was able to attract the buyer by having a plant being under construction in Mainland China. Both of the companies at this point were diversifying to Mainland market. By learning the local business culture together benefitted both of the parties. The seller being a European company made it trustworthier in the eyes of the buyer. Hongkongnese were used to operating with European companies and were acquainted with their organizational cultures and practices.

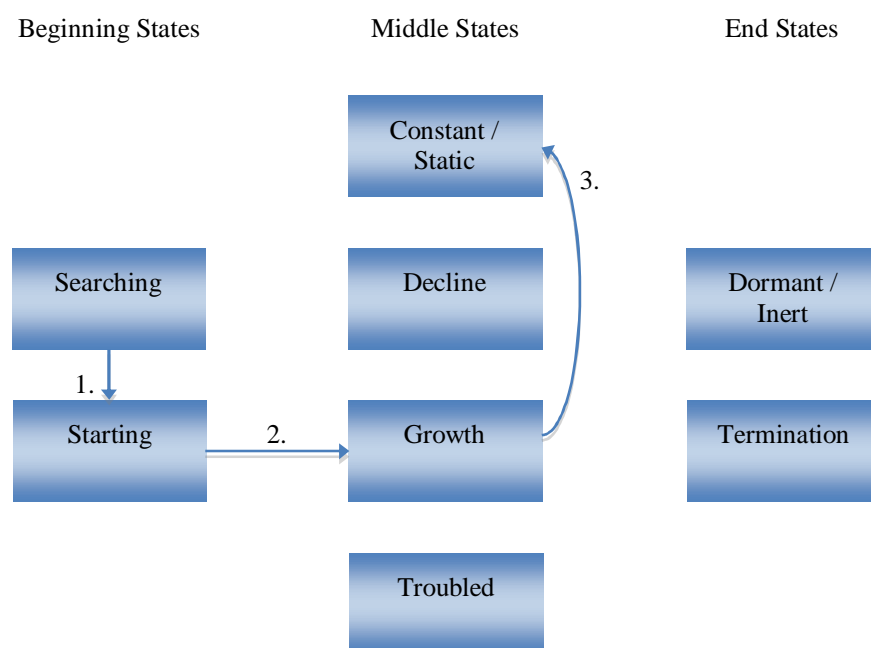


Figure 2. *The States in the Development of Case Relationship Red Bird.*

During the Searching State of the Relationship, the buyer and seller remained strangers to each other, as neither actor knew the other personally, as shown in Table 4. After the seller contacted the seller, i.e. the relationship was in the Starting State, the ties of the relationship changed to being both instrumental and emotional.

Table 4. *The Development of Guanxi between Buyer Red Bird and Seller Red Bird.*

		Membership				
		Insider	Associate	Outsider		
Network	Primary	Core family, Near relatives	"Romantic Other"		Emotional	Ties
	Secondary	Relatives, Close friends, Classmates, Alumni, People from the same region	Strangers whom know an insider or associate in the primary network	Strangers whom build up guanxi alone or via intermediaries	Mixed	
	Tertiary		Strangers whom know an associate in a secondary network	Strangers	Instrumental	

The relationship grew simultaneously as the companies received more market share in the Mainland market, as seen in Figure 2. The Growth State in the relationship lasted for a long duration. During this time, the parties became more acknowledged to each other and the different practices. The trust level between the parties has grown to a very high one. The communication between the two is very open and even though small bumps have occurred in the relationship, they have been easily overcome. The relationship does not only exist at the organizational level, but the company representatives have personal relationships, which are strengthened during the social events that the two have annually. The nature of the relationship has developed so that the parties may be considered associates.

Nowadays, the relationship can be considered to exist in a Constant or Static State. The relationship is institutionalized with the companies having shared practices, i.e. the actors consider each other as the "romantic other" or even being married, i.e. part of the core family. The CEO of the buyer compared the relationship to dating and marriage: in close relationships, it is not sufficient to be in contact only once or twice a year, but instead whilst dating the relational actors meet often, as should be the case with close business relationship also. The relationship between the Buyer Red Bird and Seller Red Bird has institutionalized with the other being part of the other's primary network.

The relationship is so tight that the switching costs are so enormous that it would be difficult to terminate the relationship due to, for example, operational reasons, i.e. the order volume is so high that the seller's competitors which could be able to provide similar amounts is very limited. The parties have worked together to achieve this state of the relationship. The companies have had shared objectives for the relationship since the beginning of it. The company representatives at the operational level are in contact daily, whilst the top

management teams meet at least biannually. Both of the parties are very committed to the relationship, which is shown, for example, through resource allocation and transparency.

The personal relationships between the top management teams of the two companies are that of two close friends, i.e. the first quadrant on the second row. The individuals remain in contact even though they retire and personal information is shared: for example, the company representatives are in contact, when new grandchildren are born.

CASE RELATIONSHIP 3: TURTLE

The Searching State for Case Relationship Turtle, as illustrated in Figure 3, occurs in two parts. Initially, the Director of the buyer picked up the seller's leaflet at a fair and decided to find more information about the seller and its products. Through his guanxi network, the buyer is employed as a salesman for the seller. As part of the seller's organization, the former salesman of the seller became an insider and became part of the primary network.

In 2006, however, the salesman is asked to leave the seller's organization after structural changes are made and, hence, he became part of the secondary network of the seller. In 2007, the former salesman joins the distributor. At the same time the seller looks for an outsider to develop its distribution network and considers the buyer a good option as the Director of the buyer, the former salesman of the seller, has a broad knowledge level of the seller's products. Therefore, when the seller began to search for someone outside its organization to develop its distribution network, the parties were already associates, as shown in Table 5.

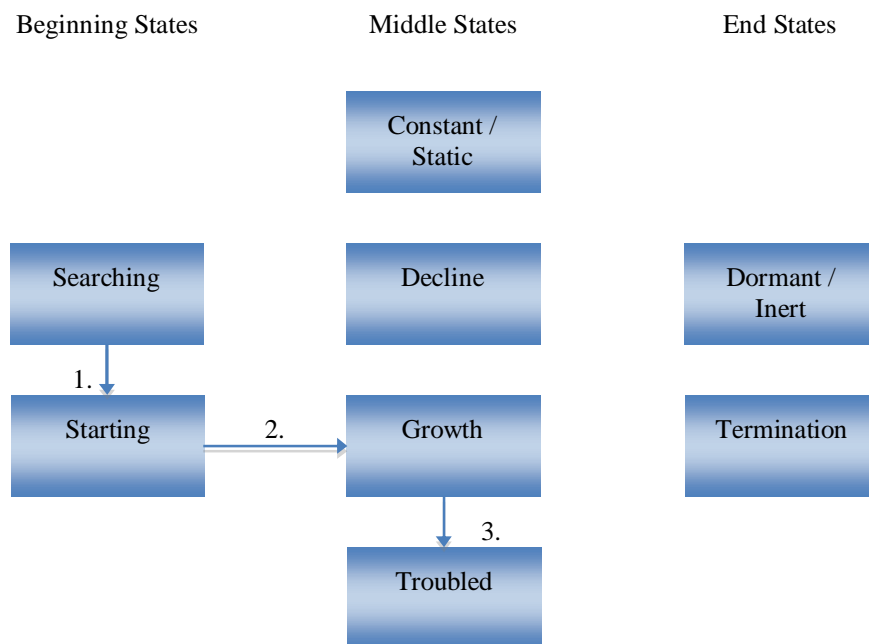



Figure 3. *The States in the Development of Case Relationship Turtle.*

Table 5. *The Development of Guanxi between Buyer Turtle and Seller Turtle.*

		Membership				
		Insider	Associate	Outsider		
Network	Primary	Core family, Near relatives	“Romantic Other”		Emotional	Ties
	Secondary	Relatives, Close friends, Classmates, Alumni, People from the same region	Strangers whom know an insider or associate in the primary network 	Strangers whom build up guanxi alone or via intermediaries	Mixed	
	Tertiary		Strangers whom know an associate in a secondary network	Strangers	Instrumental	

The Case Relationship Turtle evolves into the Starting State, when the seller asks the distributor to outrun its organization to establish a distribution network. This is noted as the arrow 1 in Figure 3.

The relationship began to grow as the buyer began to develop the seller’s distribution network. However, this did not last long as the contract between the two needed to be cancelled as the arrangement was considered to be fishy as the Director of the buyer is the former salesman of the seller. The buyer continued as a distributor and became the largest one. The communication between the two opened up during the growth state.

The relationship, however, is lacking of mutual understanding and trust, for which it has evolved into the Troubled State. The two actors view the role of the distributor differently. In the seller’s view, the buyer should invest more in attracting new customers and targeting new markets. The buyer, on-the-other-hand, claims that the seller’s distribution network is a mess and it should be cleared before anything else can be done. The buyer considers the seller to favor some of the distributors over others and overall the multichannel approach that the seller carries out is unfair to the distributors. Even though, the relationship is in such turmoil currently, it is probable that it will continue in the future, as the buyer is one of the largest distributors for the seller.

The relationship remains in the associate quadrant with mixed ties and in the seller’s secondary network, even though the buyer is one of the seller’s distributors. The seller has a multichannel approach with its distribution for which it keeps the distributors somewhat distant. In addition, the seller is aiming to limit the amount of distributors. The communication between the two is not open, but instead many issues remain unclear for which the buyer considers the seller’s actions towards the different distributors unfair and

favoring other distributors over others. The two actors are strategically misfit as both feel that the other should invest more in the relationship.

The personal relationship between the Director of the buyer and the Executive Vice President, Sales & Marketing, China, of the seller could be considered a mentoring relationship. The two, however, are not friends, but are situated in the same quadrant as the overall relationship. The parties do not necessarily even like each other, but are forced to get along due to business.

CASE RELATIONSHIP 4: WHITE TIGER

The Case Relationship White Tiger is similar to Case Relationship Turtle as the relationship is completely based in the associate quadrant in the secondary network of the relational actor and mixed ties, as seen in Table 5. The Case Relationship White Tiger can be considered to be given, as the headquarters of the companies: an originally U.S.-based parent, i.e. the buyer, and a Finnish seller; decided that the relationship needs to be broadened to China as well.

The actors in Case Relationship White Tiger had previous experience of each other before participating in a relationship in China as the buyer has the seller's machinery at its other plants. The Searching State, hence, was shorter in this case as the companies already knew each other. Hence, the relationship could almost immediately evolve to the Starting State during which the buyer requested information about the seller's Chinese operations in 2002. A short round of negotiations were held during 2003 regarding a quotation for the buyer's Chinese plant. These negotiations were not held between the Chinese representatives of the companies, but instead the headquarters of both companies interfered in the relationship as both actors were still relatively new to the Chinese market. For example, the seller was still acting through an agent at that point in China. The process of the relationship to this point has been depicted in Figure 4.

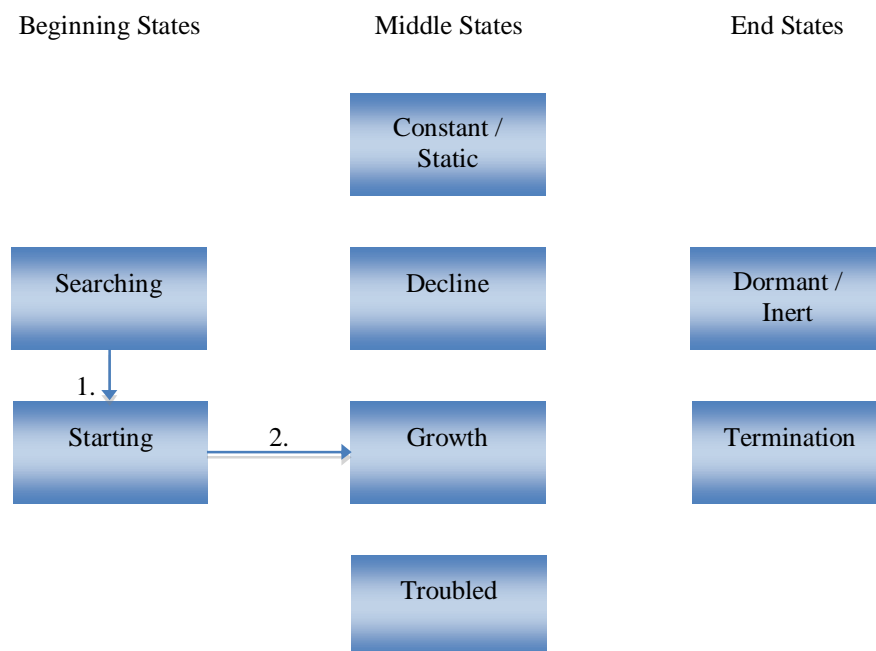


Figure 4. *The States in the Development of Case Relationship White Tiger.*

The Case Relationship White Tiger has grown since, as shown in Figure 4. Site visits have been made at both premises and industrial services purchased and provided. The level of trust between the Chinese representatives would still need to be increased as the relationship as such was given and the locals have needed to accept that they need to cultivate and maintain the relationship. The relationship, however, at this point is decent and both parties know that they can contact each other.

The Case Relationship White Tiger is still young for which it has not yet developed to its full potential. Hence, the relationship has not yet fully personalized. The personal relationships between the representatives of the two actors are also in the same quadrant as that of the organizational relationship.

DISCUSSION

The Case Relationships developed in various ways, but similarities in the process can be noted. All the development paths of the Case Relationships begin with the Searching State in which a prospective business partner is recognized and more information about it is at least tried to be gathered through secondary sources. Generally at this point, the actors remain strangers to each other and, hence, exist in each other's tertiary networks. However, if the parties know each other from previous business, for example, if the company representative of either party previously worked for the other or if the subsidiaries of the companies located in other countries have a relationship. In these cases, the buyer and seller would already be associates in the secondary network with mixed ties. Previously, before Internet was as widespread as it is nowadays, information about various companies was scarcely available in China. Hence, it was somewhat a gamble, when locating potential business partners. As the Finnish sellers are more inclined to the higher end of the market, they need to also find buyers, which function in this market. Usually these players are more westernized due to being, for example, joint ventures or from Hong Kong.

When one relational actor makes the initial contact, the relationship moves to the Starting State. At this point, both of the parties acknowledge the existence of the other. The contacting actor, traditionally the seller, needs to attract the other for business to begin within the relationship. Usually, the first order is made during this state. The first order is very important as this is a process during which each of the actors learns heavily about the other and the future of the relationship is determined. The membership type of the relationship remains, but the relational actors may move to the secondary network, if not already situated there. The ties may also become mixed. However, they still remain more instrumental than personal. The Searching State is usually longer in China than in the West due to the bureaucracy within the organization culture and government.

Even though, all of the relationships go through both of these states, they should be kept separate, as the tasks completed during the two states are very different. In addition, the level of interaction varies. In the Searching State, the actors are not yet in contact and the other might not even know about the other, as was in the cases of Buyer Dragon and Buyer Red Bird. In the Starting State, on-the-other-hand, the parties are already interacting as an initial contact is being made. Hence, both actors at this point are aware of the existence of the other. The contacted party usually gathers information about the prospective business partner at this state from intra-organizational or inter-organizational sources.

In the cases of Seller Dragon and Seller Red Bird, the cultural and language barrier between the contacted party and oneself is lower compared to typical Chinese actors. This follows the model proposed by Johanson and Vahlne (1977) regarding internationalization, i.e. when one is expanding abroad, one tends to go to markets which are more familiar and have a lower psychic distance. The same could be considered true, when targeting customers in foreign markets, i.e. it is easier to contact companies with which one has a lower psychic distance. These companies also tend to be those that appreciate the higher end of the product range in China as all of the case companies function in this part of the market.

After the Beginning States, all of the case relationships evolved into the Growth State of the relationship. This is natural progress as the other Middle State options would be somewhat troublesome to develop into: in the Constant or Static State of the relationship, it is already institutionalized and the parties are well acquainted with each other. The level of trust tends to be very high and the communication extremely open. The relationship should be intensive in order to decline, as, for example, the amount of orders should decrease. If the relationship should evolve directly to the Troubled State, the reason why the relationship exists should be possibly given. Instead the relationship could directly be terminated, if the parties would not have an external reason to stay within it.

During the Growth State, the parties get better acquainted with each other and the offerings the seller has for the buyer. During this state, the company representatives meet each other. The frequency of the meetings, however, usually is smaller as during the Starting State, as the actors do not necessarily negotiate anymore and the first order has already been delivered. Technology services may also be provided during this state. As the actors know more about each other, the level of trust may increase and the communication may open up. It is important to fulfill all the items in the initial contract and be consistent from that point onwards. The local companies tend to be inconsistent for which foreign companies have a competitive advantage with their practices and quality. The trust level between the two improves due to the performance of the parties and the communication opens up as a result. The ties remain mixed, but may be more personal than before and the actors remain in each other's secondary network. Due to the improved trust level, the actors may move to the associate level, if not already there.

The way in which the relationship develops from the Growth State onwards varies. Case Relationship White Tiger has remained at this State. If the relationship develops, it may, for example, evolve to the Constant or Static State, i.e. the relationship may be institutionalized with shared practices, as Case Relationship Red Bird did. The trust level at this point is very high and the communication open. As the other sellers provide investment products and technology services, it is more difficult to establish a Constant or Static State due to the nature of the sales process. The buyers do not tend to purchase machinery at a monthly rate, but instead at a much slower pace. In between, the buyers may, however, purchase technology services. The Constant or Static State of the relationship can be truly found only if annual agreements of spare parts or maintenance work are signed or if these technology services are purchased at a frequent manner. In China, however, this is still not a very probable relational state, as the local customers have not yet understood the importance of maintaining their machinery in good condition. In addition, many local companies tend to arrange their own maintenance work as in the case of Buyer White Tiger, whom has not purchased technology services during the past year as the company tries to train its employees to complete these tasks.

On-the-other-hand, the relationship could also decline, i.e. the interest that the two have in the relationship lowers and, hence, also the level of orders decreases. None of the case relationships evolved in this way.

The fourth Middle State option is that in which the relationship is in turmoil. Case Relationship Dragon experienced challenges before the third order was finalized. The parties had problems finding a compromise, which would be beneficial for both, i.e. one in which the price and the contents of the order was satisfactory for the buyer and the seller. The situation was already so bad that the relationship was almost ended. However, as both of the parties wanted to overcome this, evolvement from the Trouble State occurred. Case Relationship Turtle is currently in the Troubled State as the parties are experiencing a strategic misfit, i.e. the actors want different things for the relationship. The relationship has been experiencing difficulties for some time already as the buyer does not seem to trust the seller, whilst in the seller's opinion, the buyer is not investing enough in the relationship. In order to overcome these problems, the representatives of the companies would need to discuss the troubles and find a way to overcome the problems, which satisfies both, i.e. the companies need to be willing to be flexible.

The previous state theory models have considered the Dormant or Inert State as an end state of the relationship. However, this might not be so. For example, Case Relationship Dragon entered a quiet period soon after the initial contact was made, as the buyer did not need to purchase any machinery for some years. This, however, does not mean that the parties were ending their relationships, but instead they just did not require each other's services at that point. The company representatives met during this state at fairs and the seller hosted events to which it invited its VIP customers, including Buyer Dragon. Hence, the Dormant or Inert State of the relationship could be considered as both a Middle State and an End State.

None of the relationships are being terminated even if severe problems have occurred during them. If, a relationship would be ended, the parties would still continue to acknowledge each other and the activities of the other. Is the only reason, for which a relationship could be completely terminated, the bankruptcy of one or both of the parties?

Based on the case relationships, a modified version of the state theory models is proposed. This is seen in Figure 5.

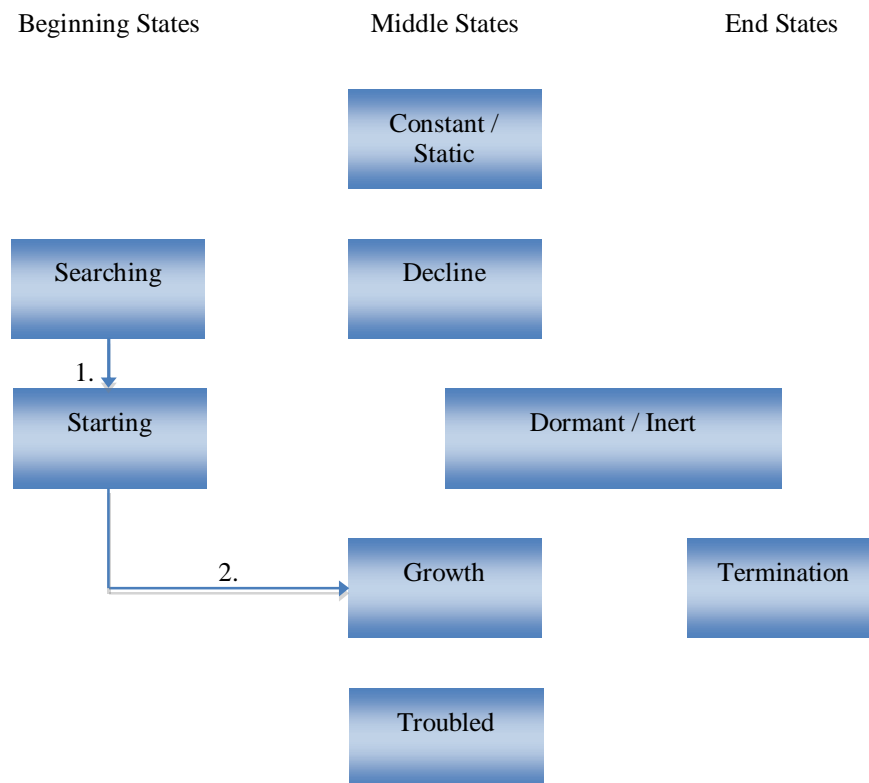
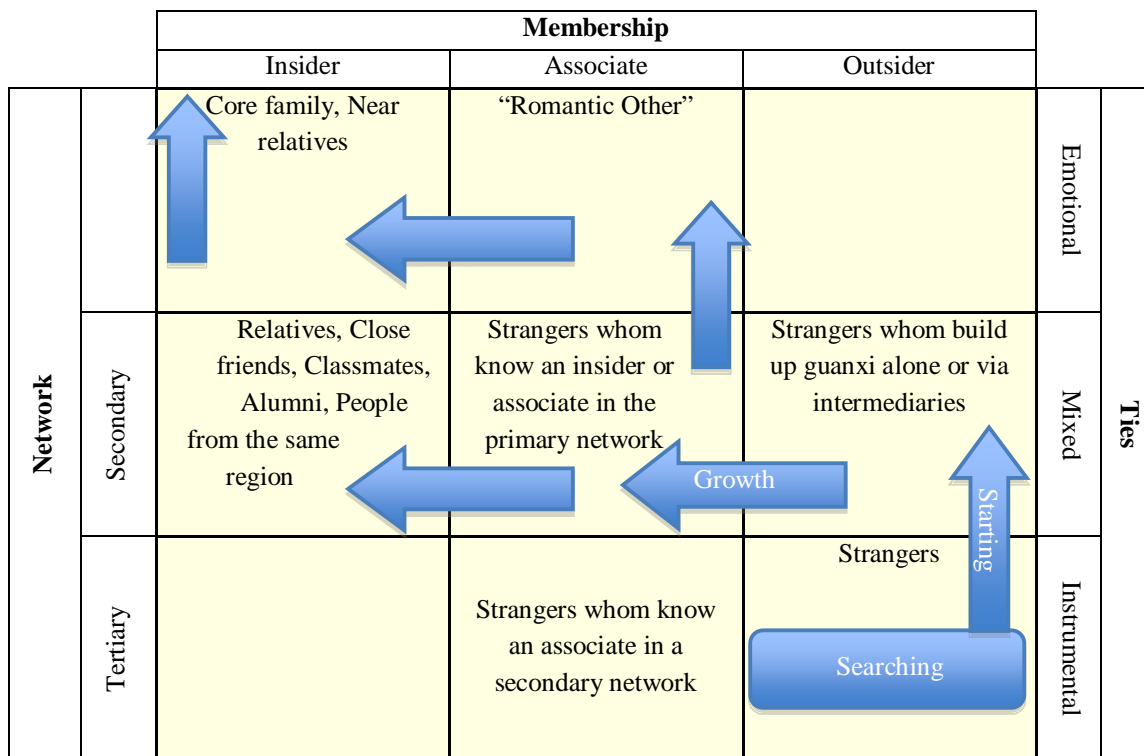


Figure 5. *The Proposed State Theory Model for Relationship Development.*

The state theory model based on the case relationships, presented in Figure 5, is similar to those developed in the Western context. However, differences exist. The time duration that the beginning states last in the Chinese context may be longer compared to those for relationships between only Western or westernized companies as was seen, when comparing the durations of the initial states of Case Relationship White Tiger and a relationship between a truly Chinese buyer and Seller White Tiger.

It should be noted that the path for the industrial buyer-seller relationship presented in Figure 5 holds only for those relationships that have successfully processed forward from the Beginning States. The relationships may at any time also evolve to either End State without developing through the second Beginning State or Middle States.

The manner, in which the membership, network level, and tie type develops, also varies. The relationship may remain the same or it may develop so that the actors may be insiders or they may be in the primary network of the other and, therefore, the ties may become more personal than before (See Table 6).

Table 6. *A General Model for the Development of Guanxi.*

The personal relationships occurring between the representatives of the Case Companies follow that of the general Case Relationship. This, of course, does not necessarily need to be the case, but instead the relationship between the company representatives may be closer or more distant than those of the organizational relationships. Generally, however, for the organizations to have good relations, the company representatives also need to share a working relationship, as they may be in contact daily. As the CEO of Buyer Red Bird puts it, the company representatives need to click and have chemistry in order for the organizational relationship to strengthen.

It is not only important to develop relations with the prospective business partner, but also with governmental officials and customs officers as these individuals may influence the fluidity with which business is conducted. In order to cultivate relationships, dinners are a suitable option. Family members are not usually invited to these. Both business and more personal matters are discussed so that the relationship does not remain only organizational, but also exists at the personal level. Chemistry between the company representatives is important to exist for a relationship at the organizational level to be successful.

CONCLUSIONS

This Conference Paper discusses how industrial buyer-seller relationships develop in a Chinese context between a local subsidiary of the buyer and a local subsidiary of a Finnish seller. In order to illustrate the relational process, literature on industrial buyer-seller relationship development models and guanxi and its development were considered.

Based on the state theory model and the guanxi development model, a comprehensive framework for the development of industrial buyer-seller relationships in a Chinese context was determined. This is shown as Table 6.

Although, relationships need to be cultivated with governmental officials and customs officers, these individuals do not play such a significant role in the particular industrial buyer-seller relationships. Instead, they may affect the smoothness with which the buyer and seller may conduct their business in China. This may affect the length of the states, but otherwise they do not need to be presented in the developed framework. The importance of these relationships increases with organizational size.

MANAGERIAL IMPLICATIONS

When a foreign seller is aiming to conduct business in China, it is easier to begin the journey with an already somewhat westernized company, i.e. the local company has conducted business with Westerners beforehand and/or is located in Greater Shanghai or Greater Hong Kong. Hence, the cultural distance between the two is lower. More importantly, the buyer will tend to appreciate the seller's offerings, as both of the actors generally will be functioning in the higher end of the market. If the seller wants to contact the Chinese buyer directly, it is easier to conduct through cold calling, if the respective party is more westernized. Guanxi remains important in the other parts of China, for which cold calling may not end in a successful contact, but instead a mediator would be needed.

Nowadays information is more readily available in China due to Internet being widespread. However, the information may not be accurate, for which one still needs to remain cautious. Useful sources for information are the different local trade associations. Also, for example, Finnish companies tend to act in a tight-knitted network, for which possible help could be gained from other Finnish companies.

After contacting the prospective business partner, one needs to attract them in order for business to be conducted. Local presence is important. Nowadays, it is not sufficient to have a local plant in China, but instead R&D activities should be implemented. The local needs vary drastically from those in the West, for which the R&D functions should concentrate on localizing the offerings. This is especially important, as the share of technology services, in which usually profit lies for industrial sellers, is low in China, as the companies tend to have a culture of being self-reliant, i.e. conducting their own maintenance work.

The Finnish companies tend to function in the higher end of the market. Price competition is strong in China, for which the sellers need to find another ways in order to win orders if they do not want to participate in this. Training is a good option, especially as the locals do not tend to acknowledge the importance of keeping the production lines in good condition.

The presence of expatriates still is important for the buyers as they see the expatriates as a direct link between the top management in Finland and themselves. The Chinese see that transferring information is more easily done, when the parties communicate in the same language. The expatriates should remain in the country for at least three to five years in order to better understand the culture and learn the language. For example, the expatriate could be allowed to study these issues for the first half-year of one's position in order for the relationships to be better cultivated in the future, when the expatriate holds the position. The presence of expatriates is a sign that the company is willing to grow in the future and will

remain present in the Chinese market in the future as well. In order for the Chinese not to lose face, the expatriates may take the blame, as they may be treated differently than the locals are. Hence, this will not be a conflict in the relationship.

In order to cultivate the relationship, the company representatives should meet at least biannually, but preferably at least bimonthly. Dinners are a fruitful option, as the relationship will not only remain at the organizational level, but also develop more personally as well. There needs to exist “chemistry” between the company representatives in order for the relationship to develop at its fullest. Therefore, language skills are important, as if a translator needs to be used to communicate, the relationship will not develop as if the two individuals could interact freely. The lack of language skills also limits the manner in which the individuals can communicate, as phone calls cannot be made and e-mails need to be translated, which means a longer answering period.

The language used is not only important in the relationships but also concerning the software that the machinery uses. In order to better serve the buyers, the sellers should translate the programs into Mandarin Chinese or Cantonese, depending on the geographical area. The workers at the lower organizational level do not commonly know English and this would benefit the buyers as less training would be needed for the operators to be able to run the machines.

Foreign companies should respect the recent developments that the Chinese society has made. For example, during the past years, attending the Olympics in Beijing in 2008 and the first Formula 1 races and inviting local buyers to these events may increase the respect the Chinese have towards the foreigners. Thus, the relationship may improve.

It is not sufficient to have relationships with only business partners, but instead in order to guarantee smooth operations, relationships need to be cultivated with government officials and customs officials. Often, a business-related process may come to a sudden end. The quality of relationships one has determines the time duration of the downtime. The importance of these relationships increases with the size of the company. This, however, does not mean that one should conduct immoral actions, but may for example offer dinners and invite the officials to company events.

THEORETICAL IMPLICATIONS AND AVENUES FOR FURTHER RESEARCH

Although this study has centered on China and *guanxi*, similar business thinking exists in, for example, Japan, Korea, and India (Ambler, 1994; Gu, Hung, and Tse, 2008). Such practices as gift giving and entertaining, which are important for cultivating and maintaining *guanxi*, are common in several other nations and business cultures (Dunfee and Warren, 2001) as well as the notion of reciprocity (Park and Luo, 2001). Networking is also important to be conducted in the West and the concept of “old boys” network is commonly used in several European and Northern American nations (Gu, Hung, and Tse, 2008). In the end, however, the operation of social relations or *guanxi* is unique in China (Gu, Hung, and Tse, 2008; Luo, 2007; Tsang, 1998) as well as its role in everyday life (Luo, 2007; Standifird and Marshall, 2000; Tsang, 1998). *Guanxi* can even be seen as a science, in which the practices and processes have been carefully designed (Luo, 2007).

In order to justify the generalizability of the framework developed during this Conference Paper, it should be studied in different cultural environments and between companies from

different national cultures. Hence, the suitability of the model based on the development of guanxi at a more global level could be considered.

This study only focused on China-based buyers and Finnish sellers, for which, for example, the manner in which purely Chinese companies develop their relationships should be studied. Also the lower-end of the market could be considered in this case, as now all the companies functioned in the higher-end.

Companies from different industries were used already for this research. It would be beneficial to continue in the same manner in the future as well. The case sellers offer both products and services. The suitability of the model developed during the study in only the service firms could be determined.

The Conference Paper is based on an inductive case study. In the future, different methodologies and methods could be used to evaluate whether similar results could be found.

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Appendix 1 – Differences between Relation Exchanges and Guanxi (adopted from Gu, Hung, and Tse, 2008, p. 14).

		Relational Exchange	Guanxi
As a Construct	Nature of construct	Social networks that an individual builds	A form of social ties and connectiveness popular in Chinese context
	Cultural context	<ul style="list-style-type: none"> • Individualist • With legal and professional institutions well established 	<ul style="list-style-type: none"> • Collectivist-familistic (Fukuyama, 1995) • Family bonds above all other social bonds and loyalties
	Operating rules / norms	Conscious social accounting involving cost-benefit analysis and consideration of alternatives before acting	An in-group approach that views an individual as a part of a web of social relationships, strong in-group favoritism
	Initial formation	Mostly by individuals through their social behaviors and activities	Paternal in nature, born in family and villages
	Growth and extension	Mostly through increasing social activities of the individual	Through increased social activities and network growth, expandable by transfers
	Operating mechanism and processes	Trust and social norms that drive cooperation and commitment	Favoritism and reciprocity that drive commitment and loyalty
	(Source of) Social capital	<ul style="list-style-type: none"> • Voluntary association of individuals or firms with complementary skills • Loosely organized (Fukuyama, 1995) • Infrequently done, exceptional 	<ul style="list-style-type: none"> • Kinship and variants • Tight social ties • Often done, becomes a norm
	As corporate resource	Seldom used	Important resource for entrepreneurs and firms that do not have other resources
As Governance Structure	Relational benefits	Few and weak, typically stay at the interpersonal level	Can be strong, because it obliges all in the network to help, can be transformed to corporate level
	Shared values in network	Some common values but often not enforced to converge	Strong, at times may be enforced to converge
	Maintenance process	<ul style="list-style-type: none"> • Interfirm agreements and contracts • Being fair and even 	<ul style="list-style-type: none"> • Reciprocity, indebtedness, and gift-giving • Deepen through accumulated obligations
	Daily use	Occasional	Frequent and in many facets of life
	Antecedents	Interdependency, the ability to provide other with reward and obtain profits in return	Bounded solidarity <ul style="list-style-type: none"> • Ascribed traits • Achieved characteristics • Shared experience
	Positive effects	<ul style="list-style-type: none"> • Sustain commitment through trust and norms in uncertain environment • Fairness and openness to build strong relational commitment 	<ul style="list-style-type: none"> • Respect / face • Privileged access to information and resources • Sustain in uncertain environment
	Negative effects	<ul style="list-style-type: none"> • Uncertainty because of open competition • Costs of disengagement 	<ul style="list-style-type: none"> • Bribery, corruption • Obstacle to the rule of law • Overdependence, domino effects
	Transferability and duration	<ul style="list-style-type: none"> • Limited transferability • Heavily dependent on the identity of each party • Can withdraw / disengage 	<ul style="list-style-type: none"> • Organic process, transferable • Bounded solitary • Can pass from generation to generation

Appendix 2 – Life-Cycle Models of Industrial Buyer-Seller Relationships

Author(s)		Ellram, 1991	Wackman, Salmon, and Salmon, 1986
Method		Case study	Questionnaire
Model	Pre-Relationship	Pre-partnering Decisions	
	Attraction	Development	Prerelationship
	Formation	Commitment	Development
	Expansion	Integration	Maintenance
	Ending	Business / Performance Dissolution	Termination
Role of National Culture		-	-

Appendix 3a – The Growth-Stage Models of Industrial Buyer-Seller Relationships

Author(s)		Andersen, 2001	Andersen and Kumar, 2006	Ariño and de la Torre, 1998	Borys and Jemison, 1989	Chang and Lin, 2008	Conway and Swift, 2000	Das and Teng, 2002	Doz, 1996	Dwyer, Schurr, and Oh, 1987
Method		Single case study	Conceptual	Single case study	Conceptual	Conceptual	Conceptual	Conceptual	Multiple case study	Conceptual
Model	1. Pre-Relationship	Pre-relationship phase					Pre-Contact	Alliance Environment	Initial conditions	Awareness
	2. Attraction	Negotiation phase	Initiation	Negotiation and Commitment → Initial conditions	<i>Defining Purpose</i>	Formation	Initial Interaction	Alliance Conditions; Formation	Learning about	Exploration
	3. Formation			Execution → Learning	Setting Boundaries	Operation	Development	Operation	Re-evaluation	Expansion
	4. Expansion	Relationship development phase	Development	Re-evaluation → a) Readjustment → Revised Conditions or New Equilibrium; b) Unilateral Reaction	Value Creation	Maintenance	Mature Relationship		Revised Conditions	Commitment
	5. Ending	Termination Phase	Forced / Voluntary Termination + Re-establishment	Dissolution	Hybrid Stability	Dissolution		Outcome	Failure / Success	Dissolution
Role of National Culture		-	-	Cultural distance?	-	-	Psychic distance	-	-	-

Appendix 3b – The Growth-Stage Models of Industrial Buyer-Seller Relationships

Author(s)		Edvinsson, 1985	Ford, 1980	Ford et al., 1998; 2003	Frazier, 1983	Frazier, Spekman, and O'Neal, 1988	Grönroos, 1980	Grönroos, 1982	Jap and Anderson, 2007	Larson, 1982
Method		NA	Questionnaire	Questionnaire	NA	Conceptual	NA	Questionnaire	Questionnaire	Multiple case study
Model	1. Pre-Relationship	Initial contact phase	Pre-Relationship Stage	Pre-Relationship Stage	Initiation process	Interest Stage	Interest	Initial Stage		Preconditions for Exchange
	2. Attraction	Negotiating and test phase	Early Stage	Exploratory Stage		Injection-Rejection Stage	Purchase	Purchasing Process	Exploration	Conditions to Build
	3. Formation	Trial order and delivery phase	Development Stage	Developing Stage	Implementation process	Implementation Stage	Repeat Purchase	Consumption Process	Build-Up	
	4. Expansion	Customer Maintenance and repeat / customer development phase	Long-Term Stage	Stable Stage	Review process	Review Stage			Maturity	Integration and Control
	5. Ending		Final Stage		Outcomes			Perceived service quality	Decline	
Role of National Culture		Relationship itself seen as applied cultural encounters	Cultural distance	-	Characteristics of macro environment	-	-	-	-	-

Appendix 3c – The Growth-Stage Models of Industrial Buyer-Seller Relationships

Author(s)		Lehtinen, 1986	Liljegren, 1988	Millman and Wilson, 1995	Ng, 2008; 2009	Pett and Dibrell, 2001	Polonsky, Beldona, and Schuppisser, 2003	Ring and Van de Ven, 1994	White, 2000	Wilson, 1995
Method		Multiple case study	Single case study	NA	Multiple case studies	Conceptual	Conceptual	Conceptual	Multiple case study	Conceptual
Model	1. Pre-Relationship			Pre-KAM Stage	Pre-relationship Stage		Exploration Phase			Partner Search and Selection
	2. Attraction	Joining Phase	Establishment Phase	Early-KAM Stage	Early Stage	Exploration Stage	Actualized phase: Relationship initialisation stage	Negotiations	Uncommitted	Defining Purpose
	3. Formation		Structuring Phase, Development Phase	Mid-KAM Stage	Development Stage	Recurrent Contracts Stage	Actualized phase: Relationship stabilization stage	Commitments, Executions	Developing	Setting Relationship Boundaries
	4. Expansion	Intensive Phase	Maintenance Phase	Partnership-KAM Stage, Synergistic-KAM Stage	Long-term Stage	Relational Contracts Stage	Actualized phase: Operational relationship stage	Assessments	Mature	Creating Relationship Value
	5. Ending	Termination Phase	Clashing Phase, Termination Phase	Uncoupling KAM	Final Stage	Outcome Stage	Inactive / Deactualised phase	Dissolutions	Declining	Relationship Maintenance
Role of National Culture		-	-	-	-	Culture matters	-	-	-	-

Appendix 3d – The Growth-Stage Models of Industrial Buyer-Seller Relationships

Author(s)		Wilson and Mummаланeni, 1986	Yorke, 1990	Borch, 1994	Doherty and Alexander, 2004	Guillet de Monthoux, 1975	Kanter, 1994	Zineldin, 2002
Method		Conceptual	Multiple case study	Multiple case study, Observation	Multiple case study	NA	Multiple case study	Conceptual
Model	1. Pre-Relationship	Need Complementarity	Ignorance		Recognition, Search, Evaluation			
	2. Attraction		Interest	First Meeting		Romance	Selection and Courtship	Discovery Phase (Romance)
	3. Formation	Interactions (Exchanges)	Initiation	The Proposal	Partnership	Affair	Getting Engaged	Development Phase or Basic Relationship Phase (Engagement)
	4. Expansion		Involvement	The Breach of Promise		Marriage	Setting Up Housekeeping, Learning to Collaborate	Commitment Phase (Marriage)
	5. Ending	Outcomes, Satisfaction, Investments, Commitment	Integration	Marriage and Honeymoon		Divorce -> New Romance, New Affair, New Marriage	Changing Within	Loyalty Phase (Ongoing Strategic Business Relationship or Old-Married)
Role of National Culture		-	-	Culture matters		-	Culture matters	-

Appendix 4 – State Models for Industrial Buyer-Seller Relationships

Author(s)		Batonda and Perry, 2003a	Batonda and Perry, 2003b	Ford and Rosson, 1982	Halinen, 1994	Niederkofler, 1991	Rosson, 1986
Method		Multiple case study	Multiple case study	Multiple case study	Single case study	Multiple case study	Multiple case study
Model	Beginning State(s)	Searching	Searching	New	Pre-Relationship Phase	Negotiations	New
		Starting	Starting		Initial Phase		
	Middle State(s)	Development	Development	Growing	Growth Phase	Strategic Fit	Growing
		Maintenance	Maintenance	Troubled	Troubled Phase	Operational Misfit	Troubled
				Static	Decline Phase	Operational Fit	Static
					Constant Phase	Strategic Misfit	
	End State(s)	Termination	Termination	Inert	Termination Phase	Dormancy	Inert
		Dominant (and Re-activation)				Exit	Terminated
Role of National Culture		Culture matters	Culture matters	Culture distance	-	-	-